Newfoundland Labrador

The Economy 07

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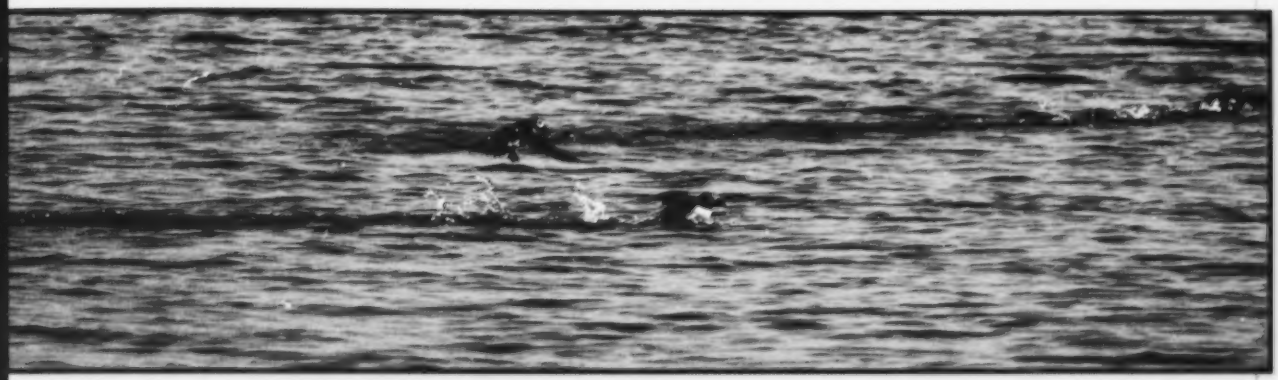
Contents



Puffins

The Economy is an annual publication providing a review of economic performance in Newfoundland and Labrador and an outlook for the medium term. Data used in this publication is current as of April 16, 2007, but is subject to revision. For the most current information contact the Economic Research and Analysis Division.

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The Economy is also available on the Internet at the Government of Newfoundland and Labrador's web site:

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under *Publications* and on the Economic Research and Analysis Division's web site:

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ISBN 978-1-55146-322-3

Published under the authority of:
Honourable Thomas W. Marshall, Q.C.
Minister of Finance

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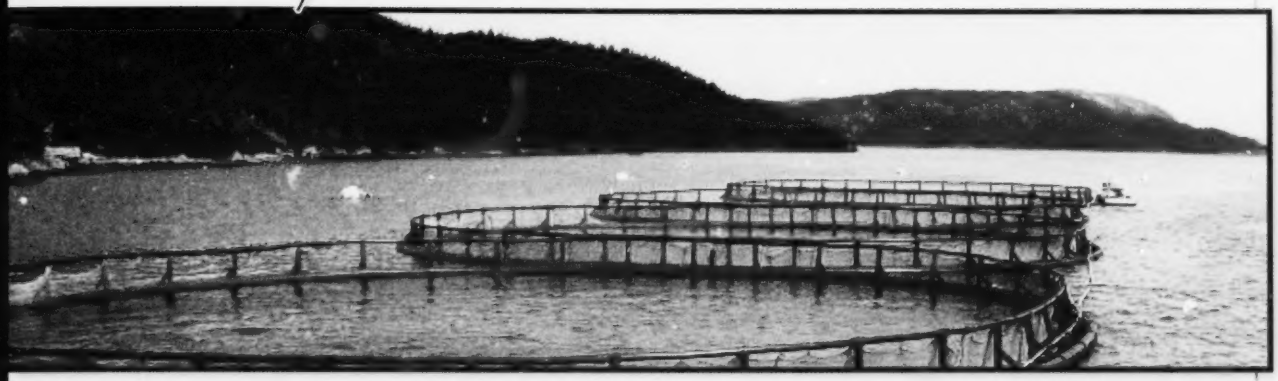
2006 Highlights

Voisey's Bay Port

- Real Gross Domestic Product (GDP) increased by 1.9% in 2006, due mainly to increased mineral exports.
- Employment grew by 0.7% to a record high of 215,700.
- Both the participation rate (59.2%) and the employment rate (50.4%) were at or near record highs in 2006.
- The unemployment rate was below 15% (i.e., 14.8%) for the first time in 25 years.
- Real personal income grew by 2.3%, while real personal disposable income increased by 2.4%.
- Retail sales expanded by 3.0% to $6.1 billion, in line with growth in personal income.
- Inflation averaged 1.8% in 2006, due primarily to higher energy prices.
- Residential construction investment increased by 3.1% in 2006 to total $1.03 billion.
- Capital investment declined by 1.0% due to completion of the construction phases of the Voisey's Bay and White Rose developments in 2005.
- The number of non-resident tourists visiting the province increased by 5.6% to 496,400 with associated expenditures up by 8.8% to $366 million.
- The value of manufacturing shipments decreased by 10.4% in 2006 due to a decline in the value of fish product, newsprint and fabricated metal shipments.
- The volume of fish landings increased by 2.2% but value declined by 10.5% due to lower prices for many fish species.
- A new aquaculture project was announced for the South Coast of the province.
- Total offshore oil production remained close to 2005 levels as gains from the White Rose field were offset by extended downtime at the Terra Nova field.
- Newsprint shipments declined by 22% in 2006 to 594,800 tonnes due to the closure of the Stephenville mill in October 2005.
- Iron ore production totalled approximately 20 million tonnes, unchanged from the 2005 level.
- Voisey's Bay shipments totalled approximately 72,000 tonnes with an estimated value of $1.2 billion in 2006.
- Mineral exploration expenditures totalled almost $98 million in 2006, the highest level ever recorded.

2007 Expectations



Fortune Bay Salmon Farm

- Real GDP is expected to grow by 8.5% in 2007, mainly due to increasing mineral and oil production.
- Employment is expected to increase by 1.2% to average 218,300 and the unemployment rate is forecast to decline to 14.3%.
- Real personal income and real disposable income are both expected to grow by 2.2% in 2007.
- Retail sales are expected to increase to $6.2 billion in 2007, up 2.5% over 2006.
- Inflation is expected to be 1.1%–0.7 percentage points lower than 2006.
- Housing starts are expected to decline by 8.2% to 2,051 units.
- Capital investment is projected to decrease by 7.6% due to lower mining and oil and gas construction investment.
- Offshore oil production is expected to increase by about 30% to 143.5 million barrels in 2007. Production from Terra Nova and White Rose are expected to increase significantly while Hibernia production is expected to decline marginally.
- Voisey's Bay shipments are expected to total about 105,000 tonnes of concentrate in 2007 with an estimated value of approximately $2 billion.
- Iron ore shipments are forecast to increase by 2.7% to 20.5 million tonnes, assuming six weeks downtime at IOC because of a labour dispute which began on March 9, 2007. A longer strike period could result in lower production levels.
- The total value of mineral shipments is expected to increase by over 35% to $3.5 billion.
- Fish landings are expected to remain close to last year's level, however, value is expected to rise as both shrimp and crab prices increase.
- Newsprint shipments are expected to hold steady at around 595,000 tonnes but prices are expected to decline by almost 7%.
- Tourism activity is expected to post further growth in 2007. The shift in mode of travel from automobile to airline will likely continue.

Global Economic Environment

Pinware River in Labrador

The global economy continued to grow at a brisk pace in 2006 with real GDP expanding by 5.4% on a purchasing power parity basis. Less developed countries, particularly China and India, continued their strong growth as they benefitted from rapid globalization. The U.S. economy performed well, despite weakness in the housing sector. Gains in these countries, together with renewed economic momentum in the European Union, were the main factors supporting world growth.

World GDP growth is expected to slow slightly but remain strong in 2007. The rapid growth in China and India is expected to moderate due to tightening monetary policy in China and a slowing U.S. economy. North America is expected to experience a slowdown as a slumping housing sector slows consumer spending. Economic growth in Europe is expected to continue, helped by strong consumer and business confidence. Performance in Japan is expected to be on par with last year, underpinned by strong profits and healthy export markets. Overall, the International Monetary Fund expects world GDP to grow by 4.9% in 2007.

World Real GDP Growth (%)

	2005	2006	2007f
WORLD	4.9	5.4	4.9
United States	3.2	3.3	2.4
Canada	2.9	2.7	2.4
European Union	1.4	2.6	2.3
Japan	1.9	2.2	2.1
China	10.4	10.7	9.9
India	9.2	9.2	8.2

f: forecast
Various sources

United States

The U.S. economy managed a solid performance in 2006, but growth slowed as the year progressed. Consumer spending, exports and non-residential business investment remained strong, but faltering residential investment restrained overall growth. Real GDP grew by 3.3% compared to 3.2% in 2005.

U.S. labour markets continued to improve last year with employment growing by 1.8% and the unemployment rate falling from 4.9% at the end of 2005 to 4.5% in December 2006.

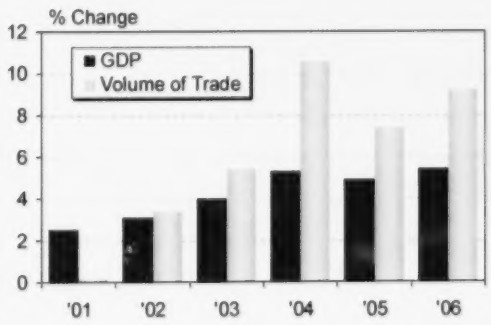
With the U.S. economy expanding and labour markets improving, the Federal Reserve Board (Fed) raised interest rates steadily from June 2004 to June 2006, in an attempt to head off potential inflationary pressures. However, with weakness in the housing sector slowing economic growth, the Fed has held the Federal Funds Rate steady at 5.25% since June of last year. Inflationary pressures—due to high energy prices and a closing output gap—continue to be a concern, but with significant monetary tightening already achieved, the Fed is expected to keep interest rates steady or cut rates in the coming months if the economic fallout from the housing sector becomes more serious.

The U.S. dollar resumed its downward trend in 2006, following a short-lived rebound in 2005. Slowing U.S. growth, combined with higher interest rates and improving economic growth in the both the EU and Japan, were factors leading to a 4.2% depreciation of the U.S. dollar against other major currencies. Higher interest rates in Europe and continued concern over the U.S. budget and trade deficits are expected to lead to further depreciation in 2007.

Globalization

The International Monetary Fund defines globalization as the process through which the free flow of ideas, people, goods, services, and capital leads to the integration of economies. In recent years this process has accelerated with the volume of world trade growing at twice the rate of GDP. Political changes and economic reforms have transformed China, India, and the former Eastern bloc countries, effectively integrating these countries into the world economy. This process, combined with the progressive removal of restrictions on cross-border trade and capital flows, has opened up vast new markets and allowed production processes to be located further from target markets. Declining transportation costs, particularly for air travel, and improvements in telecommunication technologies now allow operations to be more easily controlled from almost anywhere in the world. An increasingly competitive and open global economy forces all companies to constantly look for more efficient production processes. Thus, companies have been re-organizing, diversifying and re-locating their production facilities in different countries based on comparative advantages, giving rise to global supply chains.

World GDP and Trade Growth



International Monetary Fund

The rise of global supply chains has produced many benefits for advanced economies including expanded export markets, cheaper imported goods, and efficiency improvements, all of which boost productivity and output. For less developed countries it has resulted in rapid economic growth and significant gains in living standards.

In order for advanced economies to continue to benefit from globalization they must find ways to further reduce barriers to free trade while ensuring their economies are flexible enough to adjust to the pressures of globalization. Policies that enable workers to move easily from declining to expanding areas of the economy will become increasingly important in a free trading global economy. For Newfoundland and Labrador, and Canada, the challenge is to diversify beyond the commodity sector and to penetrate into fast growing regions, such as China, and to integrate our manufacturing and service industries into growing global supply chains.

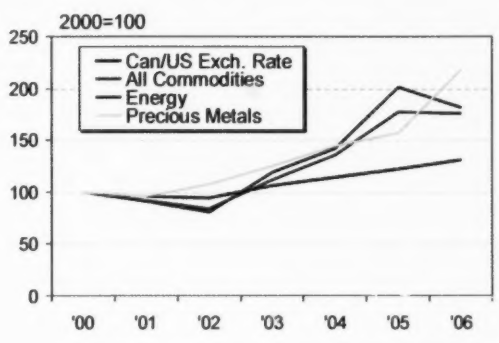
U.S. real GDP and employment are expected to grow by 2.4% and 1.2% respectively this year. A slumping housing sector will slow consumer spending, however, exports will continue to benefit from strong global growth and a lower dollar. Solid balance sheets and healthy corporate profits should ensure business investment remains strong.

Canada

The Canadian economy continued to grow at a solid pace in 2006, but similar to the U.S., growth slowed as the year progressed. The pace of resource-based growth in the Western provinces moderated while a slowing U.S. economy, a high dollar, and stiff international competition in the manufacturing sector dampened growth in Ontario and Quebec. For 2006 as a whole, real GDP grew by 2.7% with consumer spending and non-residential investment accounting for most of the growth. Consumer spending was underpinned by strong gains in employment and labour income. Business investment continued at a rapid pace, helped by relatively low interest rates, healthy corporate profits, high commodity prices and rapid expansion of productive capacity in the Alberta oil sands. However, GDP growth was somewhat constrained by slowing residential investment and weak export growth.

Labour markets continued to improve with employment up by 1.9% and the seasonally adjusted unemployment rate falling to 6.1% in December 2006 from 6.5% in December 2005. With the unemployment rate at a 30-year low and the economy operating near full capacity, the Bank of Canada steadily raised the overnight rate from 2.5% in September 2005 to 4.25% in May 2006. However, in recent months with the U.S. economy slowing, exports stalling and core inflation steady, the Bank suspended rate increases. Since May 2006, the overnight target rate has remained at 4.25%.

Canada-US Exchange Rate
and Commodity Price Indices



Bank of Canada; TD Bank

Record high oil and mineral prices caused the Canadian dollar to appreciate during the first half of 2006. However, much of this appreciation was reversed in the fall as oil prices receded. The dollar ended the year near 86 cents U.S., essentially unchanged from the start of the year. The dollar continued to hover around 86 cents U.S. during the first quarter of 2007 and most forecasters expect that the Canadian dollar will remain in the 85 to 90 cent U.S. range in the coming months, supported by high commodity prices.

Most forecasters expect Canadian real GDP growth to be around 2.4% in 2007. A slowing U.S. economy and a high Canadian dollar will slow export demand and negatively impact growth in Ontario and Quebec, but strong commodity markets and preparations for the 2010 Vancouver Olympics should keep growth robust in the Western provinces. Consumer spending is expected to remain strong due to tight labour markets, income gains and relatively low interest rates. Business investment is expected to remain strong as well.

Provincial Economic Overview

Greenspond

Review of 2006

Economic growth was moderate in 2006, with real GDP growth estimated at 1.9%. Growth stemmed primarily from gains in mineral exports and consumer spending, although, some stimulus was also provided by higher provincial government spending.

Consumption of goods and services grew by an estimated 3.3% to $10.6 billion last year (or 2.3% after adjusting for inflation). Retail sales, which account for 55-60% of consumption, increased by 3.0% to $6.1 billion. Growth in sales by pharmacies, supermarkets, and department and general merchandise stores were largely responsible for the gains. Car sales constrained overall retail sales as the number of new cars sold in the province declined by 2.9%.

Government current expenditures rose by 2.6% in 2006 (0.4% in real terms) as all three levels of government (federal, provincial and municipal) increased spending.

Real exports rose by 2.6% in 2006 due mainly to higher mineral shipments, which more than offset lower oil and newsprint shipments. Mineral shipments increased significantly as Voisey's Bay recorded nearly a full year of production. Oil production declined by 0.4% in 2006 because Terra Nova was shut down for six months for repair and maintenance. Newsprint exports declined by about 20% due to the closure of the Stephenville mill in October 2005. Fish products exports increased slightly in 2006.

Total capital investment declined by 1.0% to $4.5 billion in 2006. The end of the development phases of both the White Rose and Voisey's Bay projects were largely responsible for the decline. Despite the overall decrease, construction activity was positively impacted by a significant increase in provincial government infrastructure spending. In fact, capital investment in 2006 was estimated to be the second highest level ever recorded. While housing starts declined in 2006, residential construction investment increased by 3.1% driven by strong renovation spending and construction of higher valued homes.

Labour Markets

Employment averaged 215,700 last year, an increase of 0.7% compared to 2005. Employment in the first part of the year was negatively

impacted by: the completion of construction of the White Rose and Voisey's Bay projects which began winding down in late summer/early fall of 2005; the closure of the Stephenville newsprint mill in October 2005; and, weakness in the fishing industry. Employment growth resumed in August with the majority of the gains occurring in full-time employment.

The number of people either working or looking for work (labour force) averaged 253,100 last year, up 0.2% relative to 2005. The unemployment rate declined by 0.4 percentage points to 14.8%.

Wages continued to increase last year. Average weekly earnings (including overtime) rose by 4.1%. Higher wages and employment caused labour income to rise by 4.6% to $8.7 billion[1]. Total personal income increased by an estimated 4.1% to $13.9 billion.

Economic Indicators[1]

	2006e	2007f	2008f	2009f	2010f
Real GDP					
at Market Prices (97$m)	15,589	16,914	17,042	16,898	16,644
% change	1.9	8.5	0.8	-0.8	-1.5
% change, adjusted*	0.4	2.0	1.2	1.6	1.3
Personal Income ($m)	13,869	14,338	14,874	15,422	15,899
% change	4.1	3.4	3.7	3.7	3.1
% change, real	2.3	2.2	1.8	1.7	1.1
CPI (1997=100)	118.7	120.0	122.3	124.7	127.1
% change	1.8	1.1	1.9	2.0	1.9
Retail Sales ($m)	6,059	6,213	6,395	6,623	6,774
% change	3.0	2.5	2.9	3.6	2.3
% change, real	0.9	2.1	2.0	2.4	1.1
Housing Starts	2,234	2,051	2,012	2,030	1,983
% change	-10.6	-8.2	-1.9	0.9	-2.3
Capital Investment ($m)	4,530	4,185	3,992	3,882	4,084
% change	-1.0	-7.6	-4.6	-2.7	5.2
% change, real	-0.4	-8.6	-5.5	-4.1	2.9
Employment (000s)	215.7	218.3	221.2	224.1	225.8
% change	0.7	1.2	1.4	1.3	0.8
Unemployment Rate (%)	14.8	14.3	13.7	13.1	12.7
Population (000s)	509.7	506.6	505.4	504.6	503.8
% change	-0.8	-0.6	-0.2	-0.2	-0.2

Statistics Canada; Economic Research and Analysis Division, Department of Finance
*Note: Adjusted GDP excludes production income from major projects accruing to non-residents.
e: estimate; f: forecast; Department of Finance, April 2007

Consumer Inflation

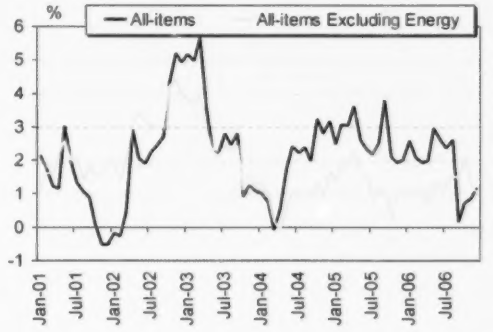
The all-items Consumer Price Index (CPI) rose by 1.8% in 2006 due primarily to higher energy prices, (particularly in the first eight months of the year). The all-items excluding energy index recorded much lower growth than the all-items index, as illustrated in the accompanying diagram.

Outlook for 2007

Real GDP is expected to record strong growth of 8.5% in 2007. Most national forecasters expect Newfoundland and Labrador to be amongst the leaders in economic growth this year. Growth will stem mainly from higher oil and mineral exports.

Real exports are expected to rise by 13.5%. Oil output will be buoyed by a rebound in Terra Nova production. Mineral production will be positively impacted by higher output from Voisey's Bay and the start-up of the Duck Pond

Inflation Rate



Note: Depicts percentage change from the same month of the previous year.
Statistics Canada; Department of Finance

[1] The stated estimates of GDP, personal income and labour income do not include the provincial government's special payments to public sector pension plans in 2006 and 2007.

mine. Newsprint and fish products exports are expected to remain relatively unchanged from 2006.

Retail sales are expected to increase by 2.5%, driven by income gains. Personal income and disposable income are each expected to grow by 3.4%, spurred by wage gains, employment growth and tax cuts.

Capital investment is expected to decline by 7.6% due to lower major project spending. However, total investment will remain near historical highs at $4.2 billion. Housing starts are forecast to decline by 8.2% as new starts are constrained by demographics.

Employment is forecast to increase by 1.2% to 218,300. Job growth will likely occur in the service sector and be mostly full-time employment. Employment gains are expected to outpace labour force growth, resulting in a decline in the unemployment rate from 14.8% to 14.3%. Population decline is expected to continue (-0.6%) as strong labour markets in Western Canada continue to attract workers from this province.

Beyond 2007

Real GDP growth is expected to slow to 0.8% in 2008, as gains in oil and mineral exports taper off. Under current forecast assumptions, real GDP is projected to decline slightly over the following two years as first Terra Nova and then Hibernia exhaust peak reserves. Other indicators such as employment and income continue to show modest growth over the forecast period. The medium-term outlook would be improved by higher than projected oil production and/or the development of Hebron, Lower Churchill or other large-scale projects.

The Census and Population Estimates

On March 13, 2007 Statistics Canada released the 2006 Census counts. The census results indicated that the provincial population had declined by 1.5% from 2001 to 2006.

It is important to realize that the results of the 2006 Census differ from Statistics Canada's Demography Division population estimates which are currently based on the 2001 Census counts, adjusted for net undercoverage (an upward adjustment to take into account people missed during the census process). These estimates are then updated between censuses using information on births, deaths and interprovincial and international migration derived from administrative sources. Population estimates based on the 2006 Census counts, adjusted for net undercoverage, will be available in the fall of 2008.

Since the decline in the census counts (-1.5%) is smaller than that reported in the "current" population estimate produced by Demography Division (-2.4%), it is expected that the revised population estimates, when they become available, will also indicate a smaller decline.

Comparison of Population Estimates and Census Counts

Year	Population Estimates	Census Counts
2001	521,986	512,930
2006	509,667	505,469
Difference		
Actual	-12,319	-7,461
Percent	-2.4%	-1.5%

The population estimates prepared by Statistics Canada's Demography Division are used to determine provincial entitlements to federal programs such as Equalization. They are also used by Statistics Canada to produce survey estimates for a range of important social and economic data (e.g., Labour Force Survey).

Special Feature—The Journey to Work

Commuters on Outer Ring Road

Commuting for work has become a commonplace occurrence in modern economies, especially around major urban centres. Recently, however, there has been growing interest in understanding daily commuting patterns among smaller cities, towns and rural communities. Information about these commuting patterns can provide valuable insights to: help businesses identify a potential supply of workers; help individuals access a wider range of employment opportunities; support government and community agencies in preparing for labour force adjustments that may result from industry closures or major investments within a particular region; and, inform planners in the development of public infrastructure, such as transportation systems.

Over the past several years, the Department of Human Resources, Labour and Employment (HRLE) has carried out research to increase the understanding of regional labour market dynamics in Newfoundland and Labrador. This research included a partnership with the Department of Finance to study commuting patterns in the province. Census data and small area estimation techniques were used to narrow commuting patterns among workers in more than 500 communities to 30 local workflow areas in the province. These areas are listed by Rural Secretariat Region in the accompanying table.

One major finding stemming from this research is the extent to which communities are interde-

Proportion of People Who Live and Work in Different Communities, 2001

Note: Proportions reflect those reporting a usual place of work in the 2001 Census which differed from their community of residence. This data does not include people working at home, outside the province, nor those without a fixed workplace address.

2001 Census; Department of Finance; Department of Human Resources, Labour and Employment.

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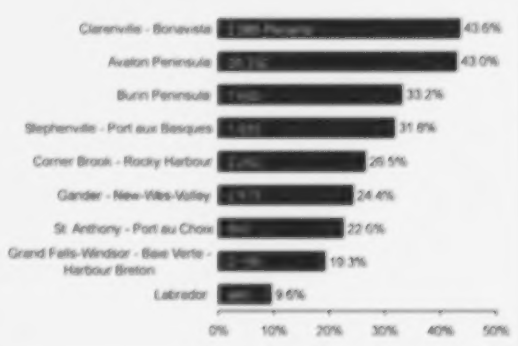

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2001 Census; Department of Finance; Department of Human Resources, Labour and Employment.

pendent in terms of employment. This suggests that changing economic conditions in a single community, especially regional service centres, can have significant implications for individuals and communities in surrounding areas.

The research findings indicate that among the regions, the greatest rate of commuting occurred among workers in the Clarenville – Bonavista region where 43.6% of workers usually travelled to a community outside their home community to work on a daily basis (see chart). The Avalon Peninsula region ranked a close second with 43% of workers residing in a different community than where they worked. Not surprisingly, the least amount of commuting occurred in the Labrador region (9.6% of workers). This largely reflects the distribution of the population among relatively few communities dispersed over a large geographic area.

Other interesting information generated through this research, includes how far people travel for work. On average, those commuting to another community for their job usually travelled 26 kilometres (one-way)[2]. Workers in the Gander – New-Wes-Valley region travelled the longest distance (45 kilometres) while workers in the Labrador region travelled the shortest distance (14 kilometres).

Using Workflow Information: Corner Brook Area

An analysis of workflow patterns in the Corner Brook area demonstrates how this information can provide valuable insights to support local labour market and development activities. For example, a business that was looking to expand in the area would be interested in the available labour supply. According to the 2001 Census, 9,400 people worked in Corner Brook. However, only 71% of these workers

[2] This data does not reflect commuting distance for workers that live and work within the same community.

"Usual Place of Work" Data

"Usual place of work" data from the 2001 Census was used in the analysis of provincial workflow patterns. This data provides greater insight about commuting patterns than other sources as it provides information about the communities where individuals work (for those who reported a fixed workplace address) as well as the communities where they live. Most other labour market data sources only report where a worker lives.

Identified Workflow Areas/Maps
By Rural Secretariat Region

Region	Workflow Area
Labrador	Coastal Labrador Happy Valley-Goose Bay Labrador City Northern Labrador
St. Anthony - Port au Choix	Port au Choix St. Anthony
Corner Brook - Rocky Harbour	Corner Brook Jackson's Arm Rocky Harbour
Stephenville - Port aux Basques	Channel-Port aux Basques Stephenville
Grand Falls-Windsor - Baie Verte - Harbour Breton	Baie Verte Buchans Grand Falls-Windsor South Coast Springdale
Gander - New-Wes-Valley	Fogo Island Gander Lewisporte Twillingate
Clarenville - Bonavista	Arnold's Cove Bonavista Clarenville
Burin Peninsula	Marystown
Avalon Peninsula	Bay de Verde Bay Roberts Carbonear-Harbour Grace Placentia Southern Shore St. John's

The workflow maps and data referenced in this section were prepared by the Social and Economic Spatial Analysis Unit, Newfoundland and Labrador Statistics Agency, Department of Finance. The maps are available on the Labour Market Development Division's web portal for the Department of Human Resources, Labour and Employment: *www.lmiworks.nl.ca*.

Note: The workflow area maps have been named for the centre drawing the biggest flow of workers. The maps actually contain flows for many communities in the workflow area.

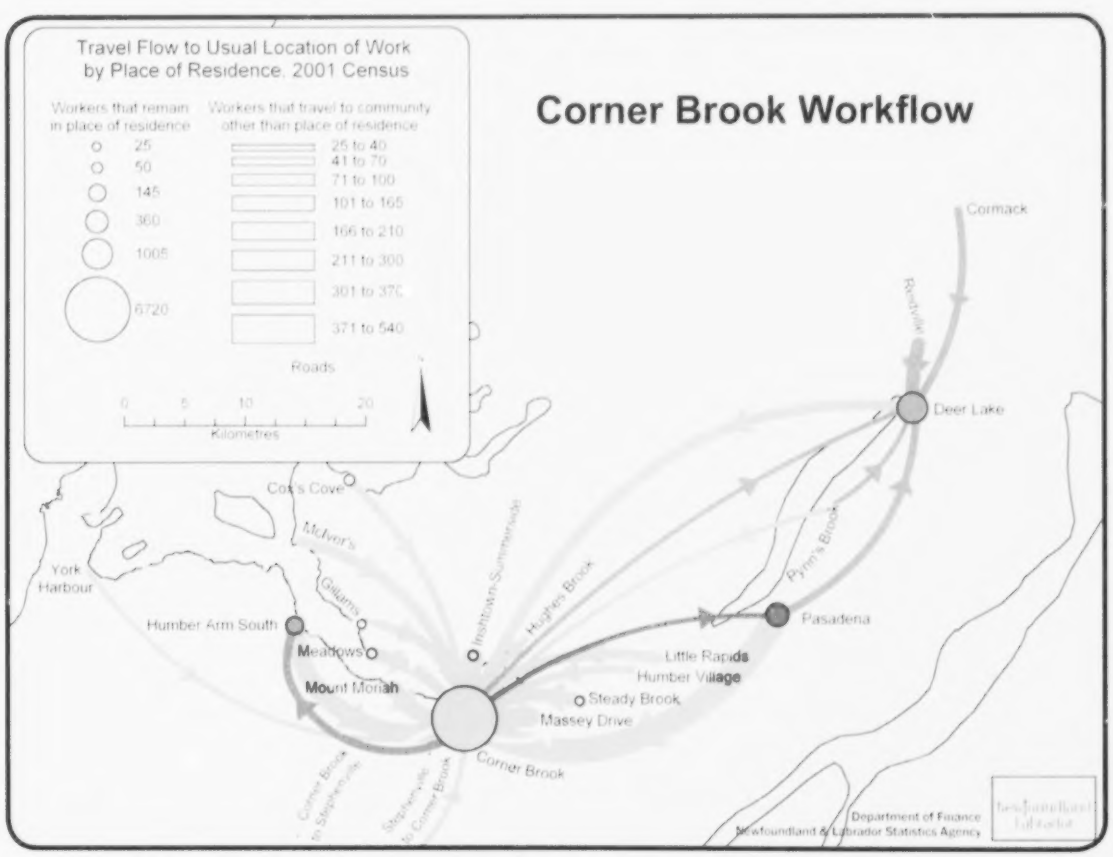
(6,720 people) actually lived in the city. The remaining 2,680 workers lived among 17 other communities, most of which were no more than 30 minutes drive away (see blue coloured lines in map). Almost 5,000 people aged 25 to 54 years (prime working age) resided in communities within this 30 minute commuting distance, pointing to a much larger potential labour supply than would be available in the City of Corner Brook alone.

This specific example for Corner Brook was provided for illustration purposes only and the actual supply of workers would also depend on the participation rates in the communities included. However, similar analyses can be carried out for other communities and workflow areas in the province.

Next Steps

A number of initiatives related to these workflows are currently underway, including further research to better understand the characteristics of commutes (e.g., gender, age, education, occupation, industry). The feasibility of developing a web-based planning tool that allows users to generate their own workflow maps for specific communities is being explored. In addition, workflow data is being used to support research on migration patterns and relationships between rural and urban communities. It is intended to update current workflow maps when the latest census data is released in 2008.

Maps and information about existing workflows and other related initiatives are available at: *www.lmiworks.nl.ca* or by contacting HRLE.



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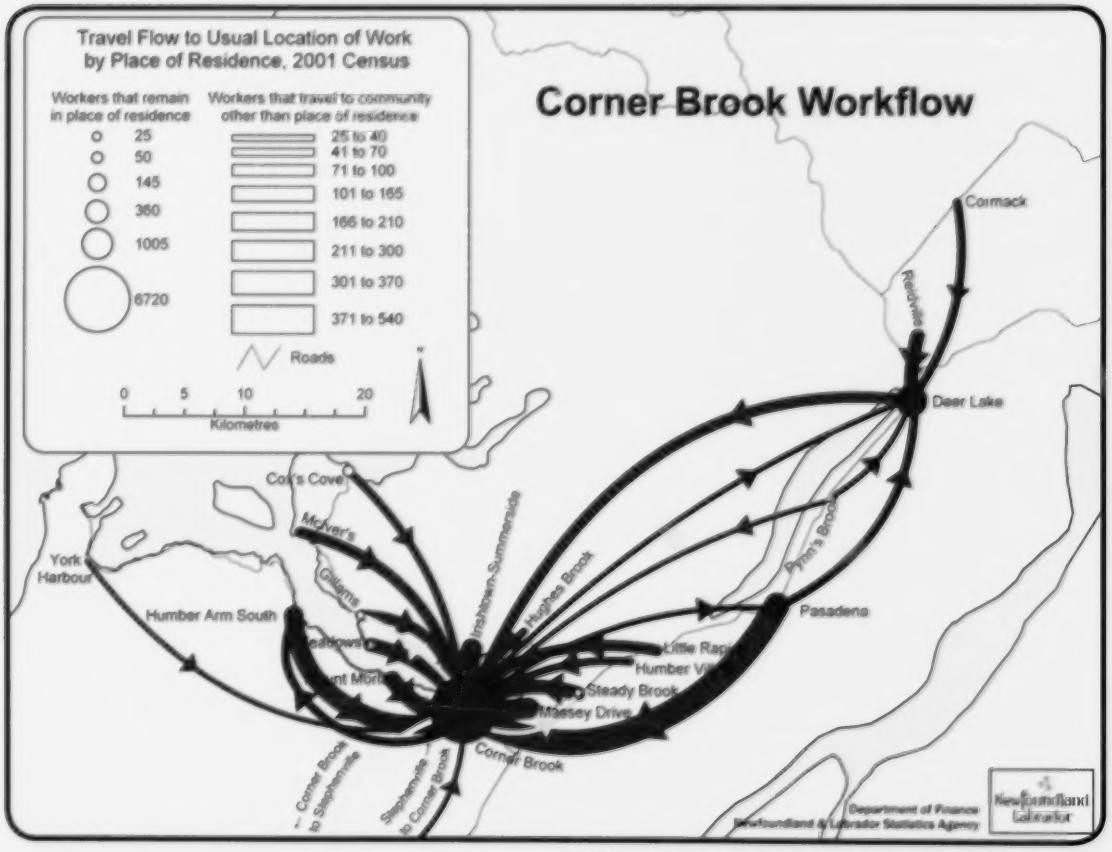
This specific example for Corner Brook was provided for illustration purposes only and the actual supply of workers would also depend on the participation rates in the communities included. However, similar analyses can be carried out for other communities and workflow areas in the province.

Next Steps

A number of initiatives related to these workflows are currently underway, including further research to better understand the characteristics of commutes (e.g., gender, age, education, occupation, industry). The feasibility of developing a web-based planning tool that allows users to generate their own workflow maps for specific communities is being explored. In addition, workflow data is being used to support research on migration patterns and relationships between rural and urban communities. It is intended to update current workflow maps when the latest census data is released in 2008.

Maps and information about existing workflows and other related initiatives are available at: *www.lmiworks.nl.ca* or by contacting HRLE.



Article prepared by: Department of Human Resources, Labour and Employment; and the Department of Finance

Fishery

Fisher persons setting capelin traps off the shores of Greenspond

The fishing industry continues to be an important contributor to the Newfoundland and Labrador economy, providing employment for over 26,000 individuals and contributing more than $400 million per year to the province's real GDP. The fishing industry is of particular importance in many rural areas of the province.

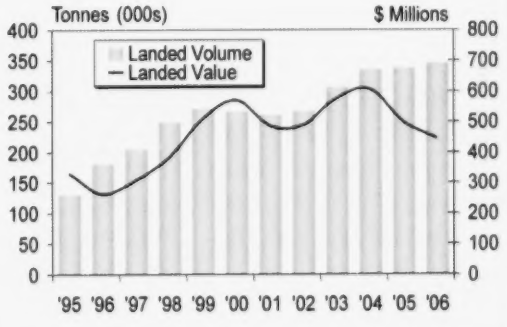
During 2006, the industry faced challenging conditions. On the harvesting side, lower raw material prices and higher input costs, particularly fuel, squeezed harvesters' profit margins. On the processing side, lower market prices, unfavourable exchange rate movements, stiff competition from low cost producers and high tariffs presented difficulties. Despite these challenges, total fish landings increased and the value of production, while lower than 2005, remained near historically high levels.

Fish Harvesting

The volume of fish landings totalled 346,200 tonnes in 2006, an increase of 2.2% compared to 2005. Increased shellfish landings more than offset lower landings of groundfish. The overall landed value fell by 10.5% to $445.3 million, a reflection of weak markets, which ultimately depressed raw material prices.

Shellfish is of major importance to fish harvesters—it comprised 56.4% of landed volume and 70.7% of landed value in 2006. Shellfish landings increased by 12.7% to 195,290 tonnes, due primarily to higher catches of crab, shrimp and surf clams. Despite increased landings, the value of shellfish dropped by about

Fishery Landings and Landed Values



Department of Fisheries and Aquaculture

13% to $315 million due mainly to lower prices for crab and shrimp. Average prices for crab fell to $0.96 per pound from $1.45 per pound in 2005. Shrimp prices to harvesters were also significantly lower in 2006, however, some recovery was evident in the latter part of the year.

Fish Landings

	2005 (r)	2006 (p)	% Change
Landings (000s tonnes)			
Shellfish	173.3	195.3	12.7
Groundfish	60.3	43.6	-27.7
Pelagics	105.1	107.3	2.1
Total	338.7	346.2	2.2
Seals (# - 000s)	290.2	296.6	2.2
Landed Value ($ millions)			
Shellfish	362.6	315.0	-13.1
Groundfish	78.6	63.7	-18.9
Pelagics	39.6	36.4	-8.0
Seals	16.5	30.2	82.7
Total	497.3	445.3	-10.5

Note: r-revised; p-preliminary; % change calculated on unrounded numbers.

Department of Fisheries and Aquaculture

Both the volume and value of groundfish landings fell significantly last year. Landings fell to 43,640 tonnes from 60,346 tonnes in 2005, a decline of almost 28%. The decline was due mainly to a large drop in catches of yellowtail flounder, American plaice and redfish. In 2006, a major quota holder did not harvest its yellowtail flounder quota of 13,000 tonnes because of a labour dispute. Subsequently, catches of American plaice, a by-catch species from the yellowtail fishery, also fell. The landed value for groundfish declined 18.9% to $63.7 million from $78.6 million in 2005.

Cleaning squid in Moreton's Harbour

Pelagic landings increased by 2.1% to just over 107,000 tonnes in 2006. This gain was due almost entirely to an increase in capelin catches resulting from an increase in quota (over 5,000 tonnes). Mackerel and herring catches remained virtually unchanged from 2005. The value of pelagics fell by 8% to $36.4 million. Lower prices for mackerel was the primary cause of the decline in landed value. Average mackerel prices fell to 18 cents per pound from a high of 23 cents per pound in 2005.

Seals

The seal industry experienced another very successful year in 2006 with 296,600 seals harvested by Newfoundland and Labrador sealers. The landed value rose to a record $30.2 million, due to a substantial increase in pelt prices. Prices to sealers were $105 per pelt in 2006 compared with $56 in the previous year. The full quota was utilized in 2006 as consumer demand for seal products remained strong. As a result, production value hit $55 million, up notably from $40 million in 2005.

Fish Processing

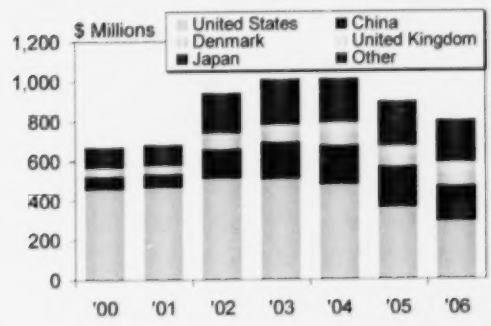
In 2006, 130 fish processing facilities operated in the province, employing approximately 13,000 individuals. The volume of seafood products supplied to the marketplace by provincial producers increased slightly from almost 199,000 tonnes in 2005 to 203,000 tonnes in 2006.

Despite growth in volume, seafood production value declined by 5.1% to $900 million from $948 million in 2005. Lower production value mainly reflected weak markets, competition from low cost producers and the continued appreciation of the Canadian dollar.

Groundfish processing fell sharply due primarily to significant reductions in yellowtail flounder, American plaice and redfish landings while shellfish processing increased as a result of higher crab and shrimp landings. Pelagic processing also increased in 2006, due mainly to higher capelin landings. In addition, a new directive issued by the Department of Fisheries and Aquaculture that requires all capelin to be fully utilized meant increased production of capelin in 2006.

The United States and China remain the province's key markets for seafood products. In 2006, these two countries purchased 36.4% and 22.1% respectively of the province's fish exports. Other important markets included Denmark, the United Kingdom and Japan, which together comprised 21.5% of export value in 2006.

Seafood Export Value by Major Destination



Statistics Canada

China presents both an opportunity and a challenge for the province's seafood producers. That country has emerged as a major export market, yet it is also one of the province's major competitors in seafood processing. China has relatively low wage rates and easy access to capital, making it a major competitor in the processing sector.

Surf clam processing

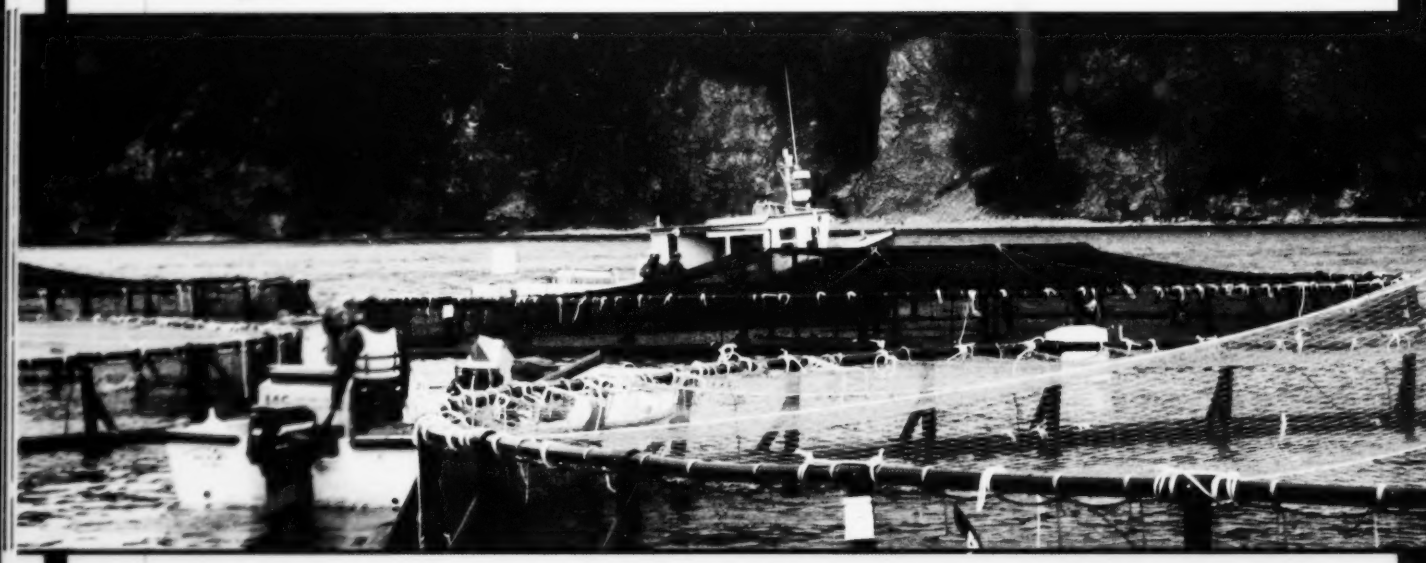
Aquaculture

Provincial aquaculture production for 2006 is estimated at 10,500 tonnes compared to 8,164 tonnes in 2005 and the sector employed 370 persons. More detail on the aquaculture sector is provided on the following pages.

Outlook 2007

- Landings should be on par with 2006.
- Value is expected to rise as both shrimp and crab prices increase.
- The industry will remain challenged by the strong Canadian dollar and competition from low-cost producers.
- The aquaculture sector is expected to expand further, boosted by a significant investment by Cooke Aquaculture.

Aquaculture

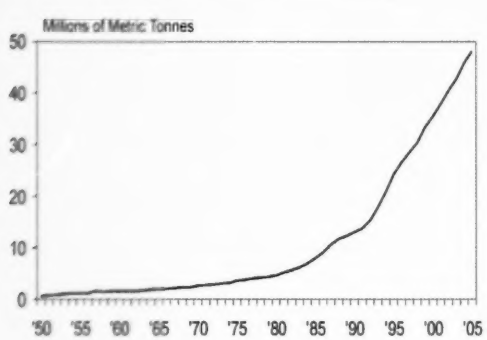


Cooke Aquaculture - feeding fish

Global Situation

Aquaculture involves the cultivation of finfish, shellfish, algae and other aquatic organisms. The term is distinguished from fishing by the fact that human effort is required to maintain and increase the species, as opposed to simply taking them from the wild. Aquaculture has been around for centuries in many countries. The earliest recorded aquaculture production occurred in China around 2500 B.C. Aquaculture was also prevalent throughout Europe during the Middle Ages. However, during the 19th Century, transportation improvements reduced the price of wild fish and caused a decline in aquaculture production. The current boom in aquaculture started in the 1960s in conjunction with increasing fish prices, peak wild fish harvesting and rising human population. Today, commercial aquaculture production is at record high levels. In 2004, aquaculture contributed 48.2 million tonnes or 34.1% of total world fish production. Global aquaculture production has grown by an annual average of 7.0% since 1995 while wild fisheries harvesting has essentially been flat.

World Aquaculture Production



Note: Excludes data for marine mammals and aquatic plants
Food and Agriculture Organization of the United Nations (FAO)

Provincial Aquaculture

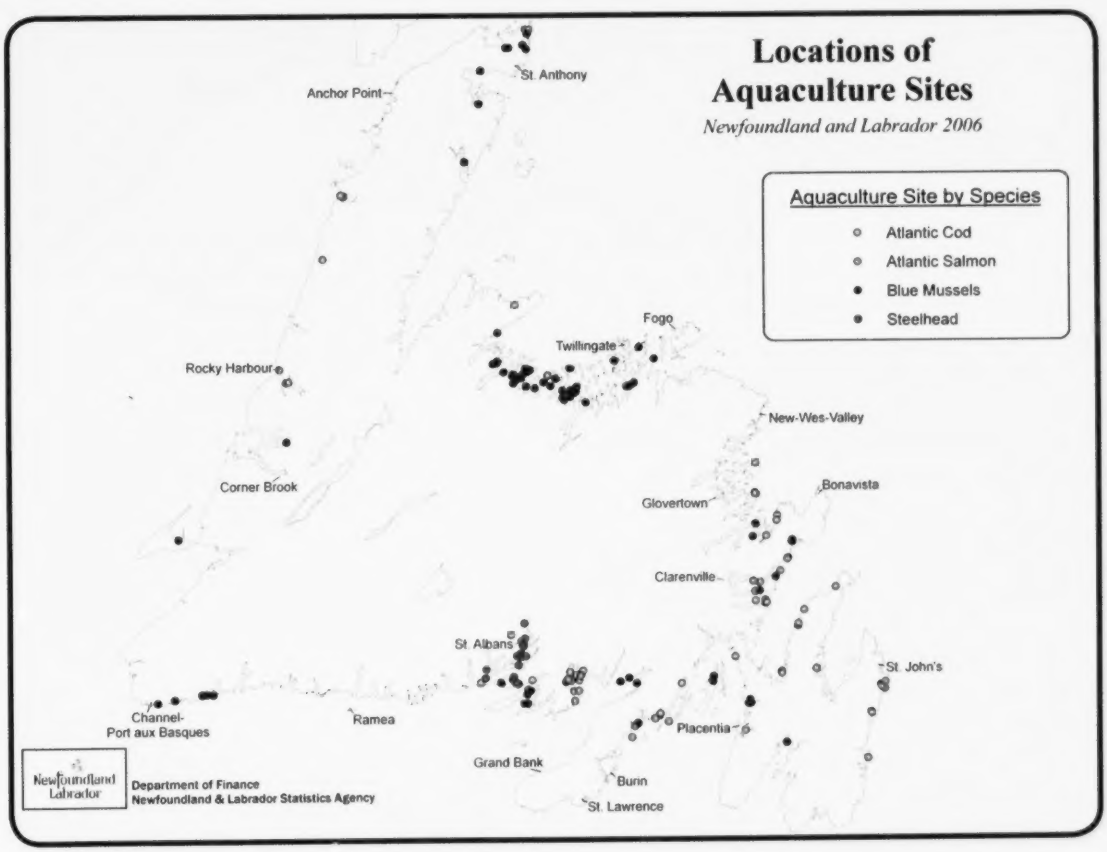
Aquaculture is a growing industry with extensive operations throughout the province. There were 129 commercial aquaculture site licences in 2006. The main species currently produced are mussels (66 sites), Atlantic salmon (28 sites) and steelhead (9 sites). In addition, cod aquaculture is currently being explored and growth in this sector is expected over the next several years. The aquaculture sector directly employed 370 persons in 2006.

Provincial aquaculture production reached a record level of 10,500 tonnes in 2006 with an export value of $52.3 million. This represented an increase of 28.6% in volume and 56.1% in value. The increase in value was greater than that of volume due to strengthening market prices as a result of strong demand for aquaculture products.

The aquaculture industry has tremendous growth potential in Newfoundland and Labrador. The province has numerous advantages including: an abundant marine area for development; excellent water quality; existing infrastructure; community acceptance of the industry; research and development capability; and, the support of both the provincial and federal governments.

Cooke Aquaculture

Cooke Aquaculture Inc., an independent salmon farming company based in New Brunswick, is investing $135 million in private funds together with $10 million in provincial government and $10.5 million in federal government funding to develop several salmon farms on the Connaigre Peninsula. It is estimated that more than 200 full-time, year-round jobs will be created as a result of this investment. Over the next three years, the company will introduce three million smolts (young salmon) annually into the new farms. The project is expected to generate annual production of approximately 17,800 whole fish equivalent metric tonnes with an estimated value of $86.5 million. The company also intends to build a recirculation hatchery, open a state-of-the-art processing facility and develop a supporting fleet of service vessels and feed barges.



Lower Churchill Project

Artist rendition of proposed Gull Island Hydro Development

With an abundance of hydroelectric, wind and petroleum resources, Newfoundland and Labrador is positioning itself to be a strategic, long-term supplier of energy to meet the growing demands in eastern North America. The lower Churchill River hydroelectric resource is a cornerstone of its energy warehouse.

The potential of the lower Churchill resource—the lowest cost, undeveloped hydro resource in Canada—is immense. Combined, Gull Island (2,000 MW) and Muskrat Falls (824 MW) have the capacity to power 1.5 million homes. This much needed source of clean, renewable energy will allow Newfoundland and Labrador to play an important part in meeting growing energy demand and reducing Canada's greenhouse gas emissions.

The timing is favourable for this development and in keeping with the agenda of developing resources for the maximum benefit of the people of the province, the Government of Newfoundland and Labrador announced on May 8, 2006 that Newfoundland and Labrador Hydro (Hydro), a Crown corporation, will be the lead for the development of the Lower Churchill Project.

Currently, the Lower Churchill Project team is vigorously pursuing the project development on multiple fronts. A comprehensive planning schedule is in place leading to project sanction in 2009 with first power by 2015. Like any development project of this magnitude, there are many components being addressed—these include: preparation for the environmental assessment process; analysis of market access options and market destinations; development of a financing strategy; negotiations for an Impacts and Benefits Agreement with the Innu Nation of Labrador; review of previous engineering design work and preparation for further studies and field work; and, determination of the optimum project configuration.

Hydro has dedicated planners now laying the groundwork for an extensive environmental assessment process and on December 1, 2006 the company registered the Lower Churchill Project with the required federal and provincial environmental regulatory agencies. The field

work on several environmental studies has been completed and more work is now underway. This will be followed by a considerable amount of consultation on the project, leading to the filing of the full Environmental Impact Statement by late 2007.

Furthermore, work continues on market destinations and market access options. With regard to market destinations, Hydro is of the view that a variety of market opportunities exist including Ontario, Quebec, the Maritime Provinces and the northeast United States. With respect to market access options, several remain under consideration including the Maritime submarine route and transmission through Hydro-Quebec's transmission system. To this end, in 2006 Hydro applied for transmission services in Quebec and Ontario to transmit lower Churchill power from the Labrador/Quebec border to markets in both provinces, as well as the Maritime Provinces and the northeast United States.

As part of the analysis of the sub-sea cable option, Hydro filed an application for long-term transmission service from the New Brunswick System Operator (NBSO) on February 6, 2007. All of these requests will result in studies that will provide an understanding of the costs and technical considerations of getting lower Churchill power to market. These studies will continue throughout much of 2007.

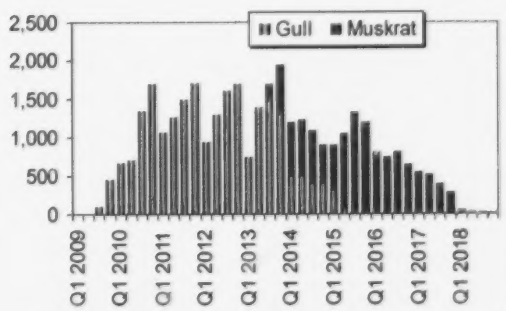
Depending on the development option chosen, the development of the two sites is valued at between $6-9 billion.

The Lower Churchill Project has the potential to generate significant financial rewards and investment returns in addition to being a made-in-Canada solution to the growing demand for energy and increased concern regarding greenhouse gas emissions.

Article prepared by: Newfoundland and Labrador Hydro

Potential Lower Churchill Employment

The nine-year construction period for the Lower Churchill Project is scheduled to begin at Gull Island in 2009, with construction of Muskrat Falls being initiated approximately three years later. This construction will provide considerable employment benefits to the province, with the annual workforce needed peaking at approximately 2,000.



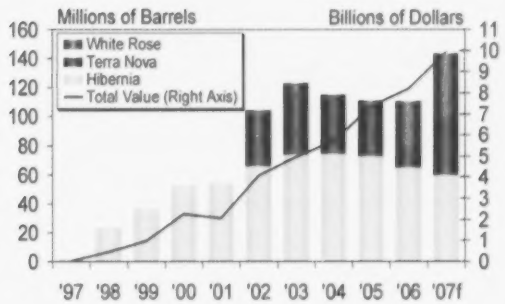
Newfoundland and Labrador Hydro

Oil and Gas

On deck of the *SeaRose FPSO*

The province's oil and gas industry has experienced tremendous growth over the past decade. The industry now accounts for approximately 15% of the province's real GDP and close to 2% of total provincial employment. Its contribution to GDP is much greater than to employment because of the high capital intensity of the industry. Total cumulative oil production from the province's three offshore fields, since the start-up of Hibernia production in November 1997 up to the end of 2006, was 733 million barrels of light sweet crude with an estimated gross value of $36 billion.

Oil Production



Canada-Newfoundland and Labrador Offshore Petroleum Board; Department of Natural Resources; Department of Finance

In 2006, oil production in the province totalled 110.9 million barrels. This represented a decline of 0.4% from the 2005 level, as the gains achieved from the first full year of production at White Rose were offset by production declines at Hibernia and Terra Nova (see chart). Despite the overall decline in production volume, the value of production increased by 11.7% in 2006 to $8.2 billion as a result of higher crude prices. The price of Brent crude oil averaged US$65.16 per barrel in 2006, up 19.4% from US$54.59 in 2005.

Hibernia

Hibernia production decreased to 65.1 million barrels in 2006—down 10.3% over the 2005 level—as a result of water and gas handling limitations. A further decline in production is expected this year as a result of generator repairs and scheduled maintenance which took place from mid-February to early March. Production resumed on March 7th. As a result of

Tanker approaches *SeaRose FPSO*

this downtime, production in 2007 is expected to be down by 8% to about 60 million barrels.

In January, the province turned down an initial application from the Hibernia Management and Development Company to develop the southern area of the Hibernia reservoir due to insufficient information from the project proponents. It is currently estimated that the southern area of the reservoir holds 223 million barrels of recoverable oil. Talks are ongoing between the province, the Canada-Newfoundland and Labrador Offshore Petroleum Board (C-NLOPB) and the project proponents to ensure that, in future, all parties receive the information necessary to facilitate the development process.

Terra Nova

The *Terra Nova FPSO* did not operate from May 7th to November 11th of last year as it underwent a $225 million retrofit that required vessel dry-docking. Critical regulatory tasks were performed including re-coating of the vessel hull, underwater ship side valve replacements, and thruster inspections. The work also included installation of a 40-bed additional living quarters module to enable on-site inspection and preventative maintenance. This will improve reliability and integrity of the vessel, and reduce future downtime. As a result of the retrofit, 2006 production was reduced to 13.7 million barrels, in comparison to 36.2 million barrels in 2005. With the retrofit now completed, 2007 promises to be a much better year for the Terra Nova field with production forecast to nearly triple to around 40 million barrels.

White Rose

The White Rose field produced 32.1 million barrels in 2006, its first full year of operation. In April 2007, Husky Energy, the project operator, was granted regulatory and government approval to increase production to 45.6 million barrels per year. Further increases up to 50 million barrels per year have also been conditionally approved subject to several technical issues relating to safety, conservation and production control. As a result of these increases, White Rose production is now forecast to rise by 36% in 2007 to 44 million barrels.

Husky Energy also applied to the C-NLOPB in September 2006 to develop the southern White Rose extension—estimated to contain 20-25

million barrels of recoverable oil—by means of a subsea tie-back to the *SeaRose FPSO*. This application is currently under review.

Hebron

Negotiations between the provincial government and the Hebron consortium reached an impasse in early April 2006. The C-NLOPB's estimate for the Hebron complex is 731 million barrels of proven and probable oil reserves, making it the province's second largest field as indicated in the table below.

Offshore Oil Reserves
(Millions of Barrels)

Oil Field	Total Reserves	Remaining Reserves*
Hibernia	1,244	723
Terra Nova	354	177
White Rose[1]	283	248
Hebron Complex	731	731

*As of December 31, 2006

[1] The figures for White Rose do not include the results of the O-28 and K-15 delineation drilling program which Husky Energy estimates at 190 million barrels. The C-NLOPB has not yet included these results into its reserve estimates.

Canada-Newfoundland and Labrador Offshore Petroleum Board

Exploration

The future of the province's oil and gas industry depends upon continued exploration and new commercial discoveries.

Seismic Data Collection

Over the past decade, a total of 1.2 million common mid-point kilometres of 3-D data and 130,000 line kilometres of 2-D data have been collected in the province's offshore area. The vast majority of this exploration has taken place in the Jeanne D'Arc Basin on the Northern Grand Banks (area of current oil production) and more recently in the deep water Orphan Basin on the North East Newfoundland Shelf.

Eirik Raude drill rig

While seismic data provides useful information as to the geology of the area, drilling is the only definitive way to learn if an oil or gas field actually exists.

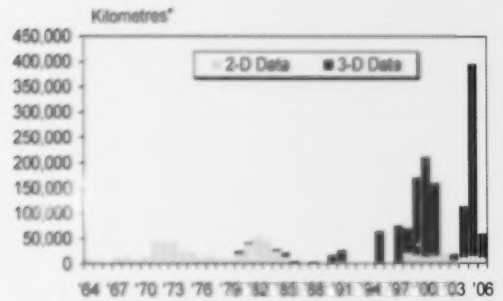
Delineation and Exploratory Drilling

In November 2006, Husky Energy announced a 190 million barrel increase in its assessment of White Rose's recoverable resources. This increase resulted from the 2006 delineation program and was attributed to the western (O-28 delineation well) and south western (K-15 delineation well) sections of the field. Husky plans to spend $290 million in the province's offshore region in 2007, including completion of a sev-

Seismic Data

Seismic technology is one of the most important tools available to the petroleum geologist. Ships collect seismic data by sending shock waves that penetrate the sea floor—using large air guns that release bursts of compressed air under the water—and measuring how long it takes the rock to reflect the waves back to the surface. Data collected in this fashion is used to create models of the underground geology beneath the sea floor to ascertain whether or not the area contains significant quantities of hydrocarbons. Two-dimensional (2-D) seismic data uses straight lines of hydrophones (i.e., receivers) to record the "echo" waves and three-dimensional (3-D) seismic data utilize many lines of hydrophones. While significantly more costly, 3-D imaging provides a detailed spatial sample of the subsurface whereas 2-D imaging reveals only stripe (or line) samples.

Seismic Data Acquired
Newfoundland and Labrador Offshore Area



*2-D measured in line kilometres and 3-D measured in common mid-point kilometres

Canada-Newfoundland and Labrador Offshore Petroleum Board

enth production well in the White Rose field and further delineation of the O-28 discovery to confirm the resource estimates and to assist in future development planning.

At Terra Nova, Petro-Canada and its partners spudded the I-66 delineation well in November 2006 in the southern part of the Far East section of the field using the semi-submersible drill rig *Henry Goodrich*. Drilling of this well was suspended in February 2007.

Exploration drilling commenced in the Orphan Basin, off the province's east coast, in August 2006 with Chevron and its partners spudding the Great Barasway F-66 well using the deep water semi-submersible drill rig *Eirik Raude*. The rig was taken to the Kiewit Offshore Services facility at Marystown in late February for repairs after a crack was discovered in one of its leg bracings. The rig returned to the F-66 drill site in mid-March and completed the exploratory well in mid-April. Drilling of two more exploratory wells in the Orphan Basin has been delayed and will now likely occur in 2008 or 2009.

Exploration drilling in the Laurentian Basin, off the province's south coast, is dependent on rig availability—a deep water drilling rig is required for this area and the global rig market is particularly tight for deep water rigs.

Presently there are $819 million in outstanding exploration expenditure commitments that must be completed by January 2012 and it is estimated that an average of 2-3 wells will be drilled each year over the next five years—depending on the results of seismic interpretations, rig availability, drilling success rates and oil and gas prices.

Outlook 2007

- Oil production is expected to increase by about 30%.
- Oil prices are expected to decline somewhat but remain high in an historical context—Brent crude is expected to average US$59.12 per barrel.
- Hibernia, Terra Nova and White Rose combined capital spending is expected to be close to $700 million.

Mining

First shipment of concentrate leaving Duck Pond

The mining industry is a significant contributor to the economy. It directly accounted for about 3.2% of provincial GDP in 2005 and its share was likely higher in 2006 (data not yet available) due to the addition of production from Voisey's Bay. By comparison, mining accounts for only 0.9% of GDP at the national level. The mining industry accounted for 1.6% of employment in Newfoundland and Labrador in 2006 compared with 0.4% at the national level.

In real terms, provincial mineral shipments in 2006 were the highest recorded since the late 1970s. In nominal terms, provincial mineral shipments were valued at about $2.5 billion last year, representing an increase of 63.7% over 2005. The main contributors to this increase were higher production volumes from Voisey's Bay and increased iron ore prices.

Voisey's Bay Nickel Company

The Voisey's Bay mine began production of concentrate in September 2005 and recorded nearly a full year of production in 2006. The company shipped about 72,000 tonnes of metal concentrate last year despite a strike which shut down production for eight weeks. The value of shipments was approximately $1.2 billion—representing almost half the value of provincial mineral shipments. Employment averaged about 850 person years.

The Voisey's Bay development includes the construction of a hydrometallurgical demonstration facility in Argentia and later, a commercial processing plant. The demonstration plant began operating in October 2005 and continued throughout 2006. The purpose of this facility is to test and refine the hydrometallurgical process to determine its commercial feasibility. If this technology proves feasible, Voisey's Bay Nickel Company (VBNC) will construct a commercial hydrometallurgical processing plant capable of processing 50,000 tonnes of finished nickel annually and employing about 400 people during operations. If the hydromet process is not feasible, VBNC will construct a commercial matte processing plant capable of processing 50,000 tonnes of finished nickel annually and employing about 350 people during operations. The company must inform the province of its development choice by November 15, 2008. VBNC

has identified a site near Long Harbour as the location for the commercial plant.

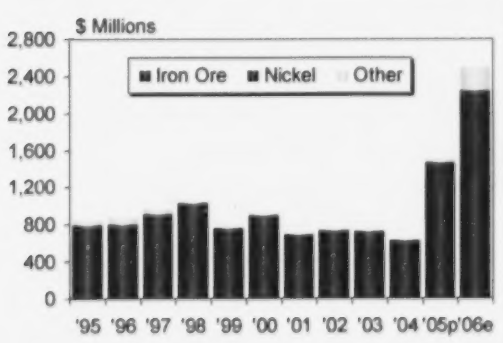
In October 2006, Brazilian mining giant CVRD obtained control of Inco Limited, the parent company of VBNC, and in January 2007, Inco Limited became a wholly-owned subsidiary of CVRD and changed its name to "CVRD Inco Limited". CVRD is one of the largest mining companies in the world. It is the world's largest producer and exporter of iron ore and it maintains business activities in 18 countries.

IOC and Wabush Mines

Iron ore now comprises just over 50% of the total value of provincial mineral shipments. Iron ore shipments in 2006 were on par with 2005, totalling about 20 million tonnes. The value of shipments increased by 3.1% to over $1.3 billion, due to a rise in iron ore prices.

Major expenditures at the Iron Ore Company of Canada (IOC) mine in Labrador City saw upgrades in both ore transportation and production. A two-year project to upgrade the concentrator was completed in July 2006, five months ahead of schedule and substantially below budget. In September 2006, IOC announced that it had acquired exclusive mining rights to Wabush #3, a mineral deposit located in Labrador West. This has the potential to add to the company's

Value of Mineral Shipments



p: preliminary; e: estimate
Department of Natural Resources

First shipment of gold ore arriving at South Brook for Nugget Pond facility

estimated 978 million tonnes of reserves and 3.3 billion tonnes of resources. IOC produced 15.8 million tonnes of iron ore in 2006, up 6% relative to 2005.

In 2006, Wabush mines spent more than $18 million on capital projects. The mine shipped 4.2 million tonnes of concentrate, representing a 17.9% drop over 2005. This decline was mainly due to problems in de-watering the pit.

Aur Resources Inc.

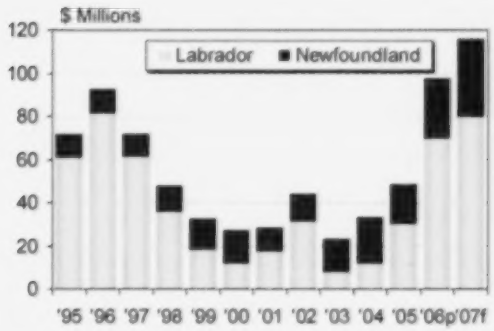
Mining has commenced at the Duck Pond mine—located about 30 kilometres south of the former Buchans mine in central Newfoundland. First shipment of concentrate left the mine on January 23, 2007. The deposit has proven reserves of 4.1 million tonnes and is expected to produce 41 million pounds of copper, 76 million pounds of zinc, 536,000 ounces of silver and 4,100 ounces of gold, in concentrate, annually over the eight year mine life. Employment at the mine is expected to average 192 people annually.

Other Operations

In addition to the mines mentioned previously, there are several smaller mineral producers in the province supplying an array of products such as slate, dolomite and limestone. In 2006, many of these producers maintained production levels on par with 2005.

Crew Gold Ltd. acquired the Nugget Pond gold processing facility, located on the Baie Verte Peninsula, in October 2006 to process ore from its Nalunaq gold mine in south-western Greenland. Processing of the first shipment of gold ore began in February 2007. The re-opening of the mill will create about 30 direct positions, with local companies being contracted to provide trucking, security and other services.

Mineral Exploration Expenditures
Newfoundland and Labrador



p: preliminary; f: forecast
Department of Natural Resources

New Developments and Exploration

Mineral exploration and development activity have been stimulated by growth in mineral prices, particularly in the last three years. Statistics Canada's primary metal products price index rose by about 60% from 2003 to 2006—indicating the strength of metal markets.

In January 2005, Anaconda Gold Corporation announced a production decision for its Pine Cove Gold project, located 6 kilometres northeast of Baie Verte. The company is planning for a 350-500 tonne per day operation, with reserves expected to last about 15 years. Production is expected to begin in late 2007.

The Beaver Brook Antimony mine is located 43 kilometres southwest of Glenwood. The mine was opened in 1997 but closed in early 1998, due to a significant drop in the price of antimony. Antimony is now trading at over US$6,000 per tonne, a level not seen since the early 1990s, and the company has announced that it will re-open the mine this Fall. The mine has reserves of more than 1.6 million tonnes and is expected to produce 5,000 tonnes of antimony per year for 10 to 12 years. The re-opening of the mine will create up to 70 jobs.

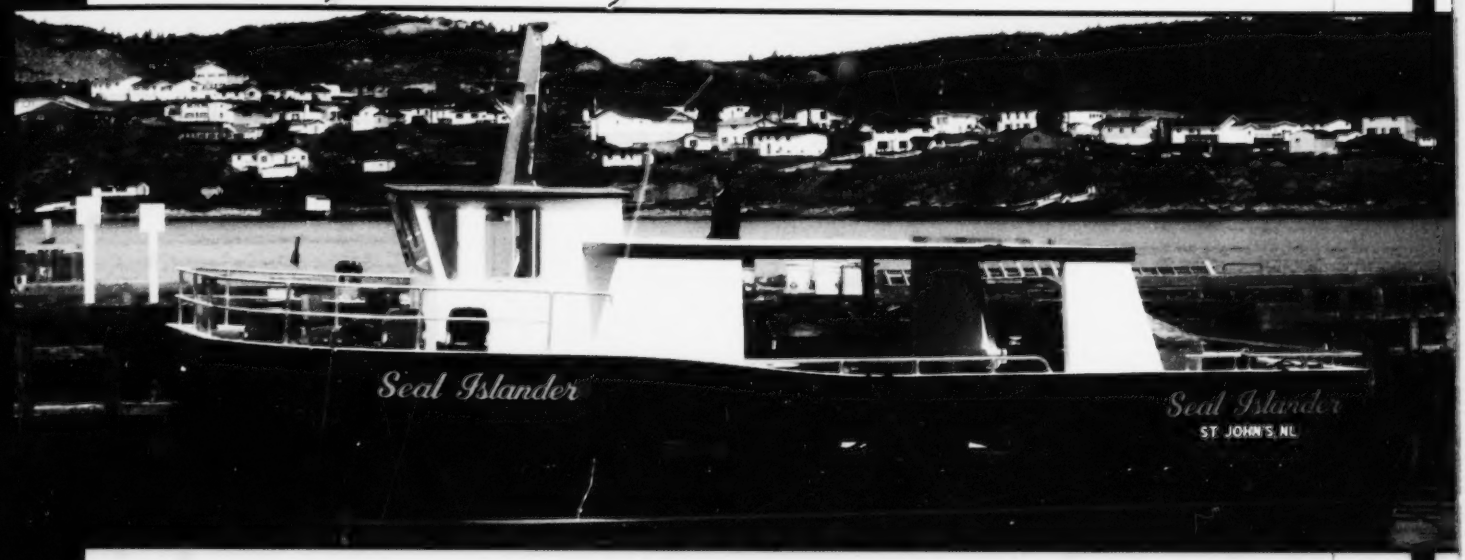
Rambler Metals and Mining Canada Ltd. will continue exploration at the former copper mine on the Baie Verte Peninsula. The company began de-watering the mine in 2006, and work is expected to be completed in late 2007 or early 2008. In 2007, the company will spend $15 million on construction of the waste water treatment plant and other infrastructure.

Mineral exploration expenditures totalled almost $98 million in 2006, the highest level ever recorded and double the 2005 level. This increase is attributed to a rise in exploration for uranium, nickel and iron ore. There were more than 57,000 claims staked in the province in 2006, reaching the highest level of claims staked since 1995. There are currently almost 133,000 claims in good standing.

Outlook 2007

- The total value of mineral shipments is expected to increase by over 35% in 2007.
- Iron ore shipments are forecast to increase by 2.7% to 20.5 million tonnes, assuming six weeks downtime at IOC because of a labour dispute which began on March 9, 2007. A longer strike period could result in lower production levels.
- VBNC is expected to ship $2 billion worth of metal concentrate in 2007.
- Industry employment in 2007 is expected to average over 3,500, the highest level recorded since 1990 and a rise of 1.6% over 2006 levels.
- Mineral exploration expenditures are forecast to increase to $116 million in 2007.

Manufacturing



The Canmar Group - Boat manufacturing

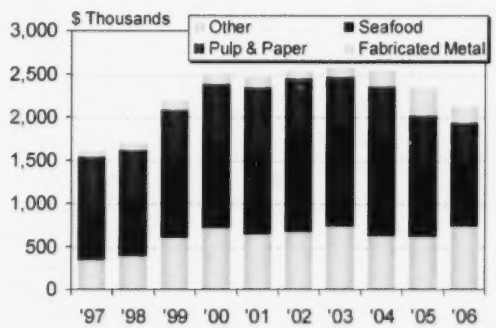
The manufacturing industry directly accounted for 6.6% of provincial GDP in 2005 (latest available data) and 7.3% of total employment in 2006. Most of Newfoundland and Labrador's manufacturing stems from resource based industries, such as fishing and forestry. The fabrication of metal products and refining of crude oil also contribute significantly to the manufacturing industry.

In 2006, the value of manufacturing shipments totalled $2.1 billion, representing a 10.4% decline over 2005. Non-durable goods, which make up over three quarters of manufacturing shipments, decreased by 6.3% in 2006 to $1.62 billion while the value of durable goods shipments declined by 17.5% to $515 million.

Some of the province's main manufacturing industries recorded declines last year. The value of seafood products decreased by 11.2% in 2006 due to lower prices in the U.S. market and a higher Canadian dollar. The newsprint sector recorded a 19.7% drop in shipment value over the previous year, mainly due to the closure of the Stephenville mill in October 2005. Fabricated metal product manufacturing declined by 39.8% in 2006, largely due to the completion of work on the White Rose project, however, it is still the second highest value ever recorded in this sector (see chart).

Manufacturing employment decreased by 6.5% or 1,100 person years in 2006, primarily the result of declines in paper manufacturing and seafood processing employment. Excluding these two sectors, manufacturing employment remained relatively unchanged in 2006.

Value of Manufacturing Shipments
By Selected Sectors



Statistics Canada; Department of Natural Resources

Forestry and Agrifoods

Cranberry harvesting at provincial cranberry research site in Deadman's Bay

FORESTRY

North American Newsprint Market

North American newsprint demand declined for the seventh consecutive year in 2006. Since the beginning of the decade, newsprint consumption has declined by approximately 25% as a result of increasing internet competition and a shift by publishers towards smaller tabloid form papers. The reduction in demand has created excess productive capacity and put downward pressure on newsprint prices.

Producers have managed to achieve limited price increases over the past few years by reducing productive capacity. After hitting a trough of US$465 per tonne in 2002, transaction prices increased to US$670 per tonne in 2006. However, prices have been declining since October 2006 and at the time of writing, newsprint was trading at US$625 per tonne.

On January 29, 2007, North America's two largest newsprint makers, Abitibi-Consolidated Inc. and Bowater Inc., announced they would be merging. The merger will put the new company in a better position to compete more efficiently in an increasingly global market and adapt to lower newsprint demand. Company executives estimate annual cost synergies of approximately US$250 million.

A few days prior to the merger announcement, Abitibi-Consolidated instructed management and staff at the local Grand Falls-Windsor mill to find ways to save $10 million in operating expenditures to make the mill more cost effective. An agreement between the company and its union was reached on March 21, 2007.

Provincial Newsprint Production

The province currently has two newsprint mills —the Kruger mill in Corner Brook and the Abitibi-Consolidated mill in Grand Falls-Windsor. Both operations have been impacted by the decline in North American newsprint demand.

Provincial newsprint shipments totalled 594,800 tonnes in 2006, representing a decline of 22% compared to 2005. The decline was mainly due to the closure of Abitibi-Consolidated's Stephenville mill in October 2005.

Shipments were also constrained by continued weakness in the North American newsprint market.

Lumber

Lumber production is estimated to have grown by just over 5% in 2006 to 130 million board feet and further production increases are anticipated in 2007. The province's sawmill industry has been buoyed by the Canada-U.S. softwood lumber agreement and increased co-operation with the newsprint industry with regard to supply rationalization. Prices have declined, however, as a result of a reduction in North American housing starts. Lumber prices averaged US$330 per thousand board feet in 2006, representing a decrease of 15% (20% in Canadian dollar terms) compared to 2005.

AGRIFOODS

Farm Cash Receipts

Total farm cash receipts increased by 4.2% in 2006 to $94.8 million. The value of dairy products increased 7.7% to $37.8 million, making it the main driver of growth in the agricultural sector. The largest reported categories of agricultural products in the province in 2006 were dairy products (accounting for 40% of total receipts), eggs (13%), and floriculture and nursery products (9%). Other agricultural products (including hens and chickens, furs, cattle and vegetables) accounted for the remaining 38%.

Cranberries

Newfoundland and Labrador's cranberry industry continued to expand in 2006, producing a record harvest of 127,000 kilograms, which represents a 71% increase over 2005. While the local industry is only four years old, last year's harvest was worth $120,000 in farm gate value and local processing added another $130,000 to the value of the crop.

Cranberries are grown in peat swamps or marshes where the soil has an acidic nature and there is an abundant supply of water. Although it takes a few years for a new cranberry bed to produce a harvestable crop, the vines will continue to produce for several decades. Water is used for irrigation, frost protection and harvesting. At harvest time, the cranberry beds are flooded—causing the berries to float to the surface—so they can be easily dislodged by rakes or mechanical harvesters (see picture opposite).

Corner Brook paper mill

Last year's harvest was grown on 11 hectares of land on three private farms in Stephenville Crossing, Stephenville and Terra Nova, as well as at the Department of Natural Resources' demonstration and experimental site in Deadman's Bay. A 1.6 hectare farm in Frenchman's Cove on the Burin Peninsula is also coming into production and should add another 9,000 to 14,000 kilograms of fruit to this year's harvest. Indian Bay Frozen Foods bought 95% of last year's crop which was packed and frozen at its processing facility in Wareham-Centreville, Bonavista Bay. Most of the product was shipped to European markets.

Outlook 2007

- Newsprint shipments are forecast to remain on par with 2006 levels.
- Newsprint prices are expected to decline by almost 7% to US$625.
- Lumber production is forecast to increase to 140 million board feet.
- Farm cash receipts are expected to increase moderately.

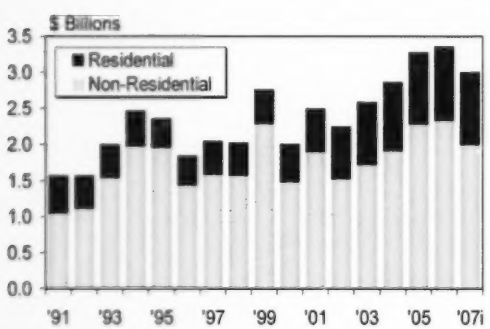
Construction

Site preparation for the Corner Brook long-term care facility

The latest survey of investment intentions by Statistics Canada indicates construction investment increased for the fourth consecutive year in 2006, rising 2.5% to almost $3.4 billion. The increase was primarily related to higher residential expenditures (new and renovations) and increased public sector spending.

Construction employment also grew for the fourth consecutive year in 2006 to reach the highest level recorded since 1984. Employment grew by 4.0% to an annual average of 12,900. The increase in demand for construction workers over the last several years was also reflected in higher average weekly earnings: weekly earnings (including overtime) in the construction industry rose by 24.4% over the last four years, more than double the growth for the overall economy. The local industry, like the rest of the country, has experienced increased levels of activity in recent years. Securing skilled workers to complete future projects will continue to be one of the main challenges facing the industry, both locally and nationally over the next several years.

Construction Investment



i: intentions
Statistics Canada

Non-Residential Construction

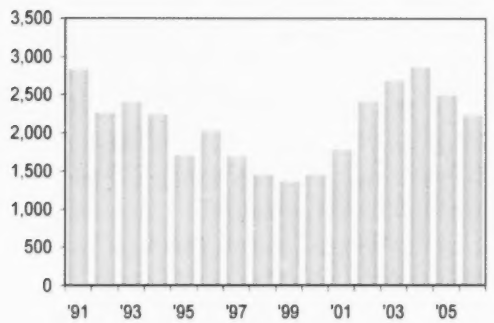
Non-residential construction expenditures rose by 2.3% or $51.8 million in 2006 to total $2.3 billion as increased public sector investment more than offset declines in mining and oil and gas project spending. Investment in the mining and oil and gas industries, which accounted for the majority of non-residential spending in recent years, declined last year due to the completion of construction on the Voisey's Bay and White Rose projects in 2005.

Public sector industries such as public administration, educational services, health care and social assistance, all experienced growth. In addition, significant increases were observed in the utilities and retail trade industries.

Residential Construction

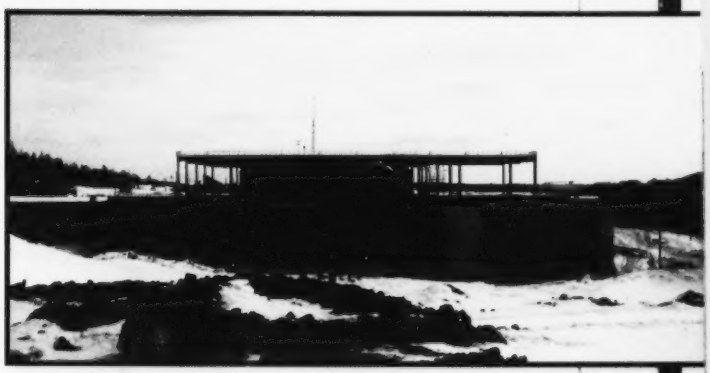
Residential construction investment increased by 3.1% to total $1.03 billion in 2006, growing for the eighth consecutive year. Strong renovation spending and construction of higher valued homes more than offset the negative influence of fewer housing starts.

Housing Starts



Canada Mortgage and Housing Corporation

Renovation expenditures, which account for over half of total residential investment, increased by 8.2% in 2006. Investment in new housing increased marginally (by 0.1%) as construction of higher valued homes offset the decline in housing starts. Housing starts fell by 10.6% to 2,234 units in 2006 as rising prices, higher out-migration and interest rate increases negatively impacted demand for new homes. Despite the decline, the level of starts remained above the previous ten year average level.



Construction of Clarenville long-term care facility

Outlook 2007

- Construction investment is projected to decline by 10.3% to $3.0 billion in 2007 but remain high in an historical context.
- Non-residential spending is expected to decline by 14.3% to almost $2.0 billion due to a decline in mega project investment.
- Residential spending is projected to fall by 1.3% to $1.0 billion. Spending on new homes is expected to decline while renovation activity is expected to remain strong.
- Housing starts are expected to total 2,051, down 8.2%.
- Government infrastructure spending is expected to increase significantly in 2007, according to Statistics Canada's survey of investment intentions.
- Almost $8.4 billion in project spending is planned or underway in the province according to the *Inventory of Major Capital Projects* on page 35.

Tourism

Rose Manor - Harbour Grace

Global and National Tourism

On a global basis, the tourism industry continues to grow. After hitting a plateau at the start of the new millennium, world tourism has recorded strong growth since 2003. In 2006, the number of international tourist arrivals increased by 4.5% relative to 2005.

While tourism is growing globally, tourism activity in Canada has been trending downwards according to the latest available data. Domestic travel has shown some growth between 1998 and 2004, recording a 2.0% increase in person-trips. However, international tourist trips have been declining since 1999 and a further 6.9% decline was recorded in 2005. This decrease was due in part to the decline of inbound vehicle traffic from the U.S.

Provincial Tourism

Provincial tourism is comprised of both residents travelling throughout Newfoundland and Labrador and non-residents travelling to the province.

Resident travel accounts for 60-65% of total tourism spending in the province. Between 1998 and 2004 (only data available) resident trips have trended downwards. This decrease in resident tourism is due to a number of factors including: high gas prices, the high Canadian dollar (making travel outside Canada more attractive), and a decline in the province's population.

In 2006, provincial non-resident tourism activity continued to grow. Spending by non-resident tourists visiting Newfoundland and Labrador was estimated at $366 million, up 8.8% over 2005. In 2006, 496,400 non-resident tourists visited the province, representing a 5.6% increase over 2005. This is a much better performance than the other Atlantic Provinces. Estimates indicate non-resident visitation remained on par with 2005 levels in both Nova Scotia and Prince Edward Island, and declined by 3% in New Brunswick.

Tourism performance continued to vary regionally in 2006. Urban communities saw growth in tourism visitation and revenues, stemming

mainly from an increase in air passenger movements, while some rural areas experienced declines, mainly due to reduced levels of automobile visitors.

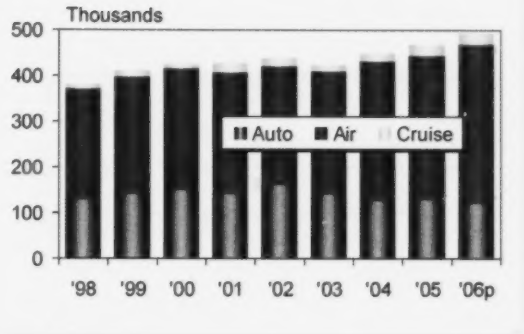
Automobile Travel

Non-resident visitors travelling to the province by automobile decreased by 5% in 2006, evidenced by a decline in ferry usage. The decline in automobile travel was also reflected in fewer visitors recorded at some of the province's regional museums, Visitor Information Centres, natural and historic attractions, and public and commercial campgrounds. A number of factors are affecting automobile travel in the province including: high gasoline prices, which peaked during the prime travel season of 2006; the continuing high value of the Canadian dollar; and interprovincial ferry costs.

Air Travel

Over the past several years, the province has experienced a shift in mode of travel from auto to air. This shift continues to be supported by improved air travel options, the availability of discount airline carriers, and changing consumer preferences, among other factors. Air passenger travel accounts for the largest share (about 70%) of non-resident travel each year (see chart). The number of non-resident air visitors increased to 349,700 in 2006, up 11% over 2005.

Non-Resident Tourists
By Mode of Transportation



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Department of Tourism, Culture and Recreation

While non-resident passenger movement data is not available by airport, most provincial airports recorded an increase in total passenger movements. Wabush airport recorded the highest percentage gain in airport passenger

Bed & Breakfast Accommodations

The bed and breakfast industry represents another growing segment of the tourism industry. Over the past ten years, the number of licensed bed and breakfasts increased by almost 80% and the number of rooms available more than doubled. Not only is the industry growing, but the quality of the industry is also meeting high standards. Of the 329 bed and breakfasts listed in the Newfoundland and Labrador 2007 Travel Guide, more than 25% are rated as four stars or above. High ratings such as these help attract tourists to this unique travel experience. Over the past four years, the number of room nights sold at bed and breakfasts rose by 13%. The bed and breakfast industry is becoming a strong component of the local accommodation market.

St. John's International Airport

Air passenger traffic at the St. John's airport increased by 79% from 1998 to 2006. This growth, especially in recent years, has been driven by strong airline competition, increased business travel, and increased population in the city, among other factors. In order to keep up with this growth, the St. John's Airport Authority has additional airport development planned for the coming years, including: an expansion of the main terminal, the addition of a fourth passenger loading bridge, the installation of four covered walkways, new food and beverage concessions on both sides of the security barrier, the rehabilitation of a secondary runway, as well as other improvements. In terms of air passenger movements, St. John's is now the 9th largest airport in Canada.

movements this year (up 16%) mainly due to a rise in mining related activity. Notable increases were also posted at airports in St. John's (6%), Deer Lake (5%) and St. Anthony (3%).

Cruise Travel

Cruise ship passenger visits to the province declined by 5% in the 2006 cruise season, however, it remains near the peak number recorded in 2005. The cruise season recorded 105 port calls, up from 97 in 2005.

Conventions

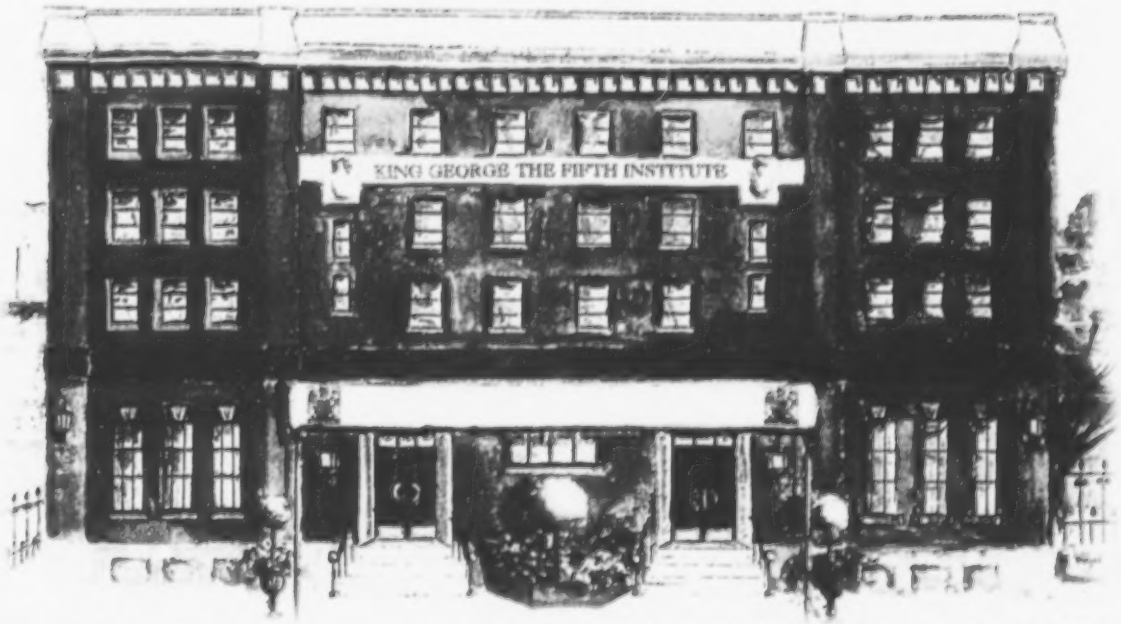
In 2006, Destination St. John's and the City of Corner Brook reported an increase in the number of meeting and convention delegates over 2005 levels. Destination St. John's reported 26,089 meeting and convention delegates[3] during 2006, an increase of 4% over 2005, while the City of Corner Brook reported 7,006 delegates, more than double the number reported in the previous year.

[3] Groups of less than 50 delegates are not captured in this number.

Outlook 2007

- Continued growth in tourism activity is expected in 2007.
- In 2007, the Flying Boat Festival in Botwood will mark the 70th anniversary of the first transatlantic commercial flight and will celebrate the impact flying boats had on the aviation industry.
- The outlook for the convention industry remains strong in 2007 with bookings for May and the Fall, in particular, indicating robust activity.
- Cruise ship pre-bookings for the 2007 cruise season are on par with those of last season.
- The St. John's Airport Authority expects passenger traffic to increase 13% over the next four years (2007 to 2010).
- Marine Atlantic announced an increase of 1% in rates for both passenger and vehicle traffic for the 2007 season.
- 2007 intra-provincial ferry rates will be reduced to bring them in line with the cost of highway travel, which may promote increased travel to rural parts of the province.
- Tourism inquiries for the January to mid-April period are up 9% compared to the same period in 2006, indicating a positive response to the 2007 tourism marketing and advertising campaign.

Major Capital Projects



Redeveloped 1912 King George V Building, St. John's

Inventory of Major Capital Projects

The inventory of major projects provides information on capital projects and spending programs in Newfoundland and Labrador valued at $1 million or more. The list includes both public and private projects that are either continuing or starting in the current year. In some cases, the capital spending figure quoted includes spending from previous years. The inventory was prepared between February and April 2007.

According to this year's inventory, almost $8.4 billion in major capital spending is planned or underway in the province. *Mining, Oil and Gas* projects top the list at almost $3.9 billion (see the table on the right). The Voisey's Bay project is the single largest expenditure item with $2.9 billion in spending over approximately 30 years. While expenditures to date have been considerable from this project, spending of $350 million is anticipated for 2007, and the construction of the commercial processing facility will impact annual investment significantly in years to come. *Residential* and *Environmental* investment were the second and third largest categories, with expenditures of $875.6 million and $784.3 million respectively.

This major project listing is available on the Economic Research and Analysis Division's web site (www.economics.gov.nl.ca) in a searchable database. The online database includes search capabilities by *Industry, Community* and *Economic Zone* as well as a feature which allows readers to help us identify projects for future lists.

Major Projects ($ millions)	
Mining, Oil and Gas	3,879.8
Residential	875.6
Environmental	784.3
Municipal Infrastructure	676.7
Tourism/Culture/Recreation	606.6
Transportation	486.3
Health/Personal Care	286.6
Utilities	220.9
Fishery/Forestry	216.5
Education	189.6
Other	145.5
Total	8,368.4

Readers will note that in some project descriptions in the inventory government is identified as a source of funding. This reference, in most cases is based on information provided by the project's proponent and should not be interpreted as an announcement by government of funding approval. Readers should also note that while every effort has been made to identify projects and research information, this list may not be exhaustive. The information was gathered at one point in time and in some cases protecting the confidentiality of information has prohibited the publishing of projects. Readers should not base investment or business decisions on the information provided.

Project	Capital Cost ($M)	Start/End	Zone	Comments/Location
Commercial				
Car Dealership	1.0	2007	14	Construction of a new Ford dealership. (Gander)
Commercial Development	3.0	2005-2007	19	Reardon Construction and Development Ltd. - construction of a six lot commercial development. Currently three lots complete. (St. John's)
Commercial Development	4.0	2007	14	Construction of a major box store. (Gander)
Commercial Development	1.5	2006-2007	19	Diesel Injection Sales & Service Ltd. - construction of a new building and acquisition of new equipment. (St. John's)
Office Building	1.0	2006-2007	19	Bilroc Industries Limited - construction of a new building to house operating divisions. (Mount Pearl)
Office Building	3.1	2006-2007*	19	Redevelopment of the former Newfoundland Museum building into an office space for the Departments of Justice and Human Resources, Labour and Employment. Provincial funds. (St. John's)
Pharmacy	2.0	2007	19	Construction of a Shoppers Drug Mart pharmacy and medical clinic at the former Newfoundland Margarine site. (St. John's)
Pharmacy	2.0	2007	14	Construction of a pharmacy box store. (Gander)
Supermarket	20.0	2006-2007	19	Redevelopment of Memorial Stadium into a supermarket which will also include a fitness centre for women and a gymnastics club. (St. John's)
Education				
Academic Building Renovations and Extension	10.0	2006-2009*	8	Renovations and extension to the Academic Building at Sir Wilfred Grenfell College. Projected expenditures of $4.0 million for the 2007-08 fiscal year. Provincial funds. (Corner Brook)
Atlantic Computational Excellence Network (ACEnet)	28.0	2005-2008	19	Memorial University of Newfoundland (ACEnet) - nine university partnership to build research computing infrastructure led by Memorial University. It is also part of a national initiative to build a pan-Canadian high performance platform. (St. John's)
Building Expansion	5.0	2006-2008*	3	Expansion to the College of the North Atlantic. Provincial funds. (Happy Valley-Goose Bay)
Building Renovations	3.3	2006-2007*	19	College of the North Atlantic - replacing windows and cladding on the exterior of the main campus. Projected expenditures of $1.5 million for the 2007-08 fiscal year. Provincial funds. (St. John's)
Campus Maintenance/ Renovation	4.0	2007*	8, 19	Annual maintenance and renovation of various Memorial University of Newfoundland buildings. Provincial funds. (Corner Brook, St. John's)

* Projects containing public funding are denoted on a fiscal year basis (e.g., 2007 refers to fiscal year 2007-08; 2007/2008 reflects fiscal years 2007-08 and 2008-09). All other years are reported on a calendar year basis.

Project	Capital Cost ($M)	Start/End	Zone	Comments/Location
College Building	TBD	2006-2009*	2	Construction of a new College of the North Atlantic building. Projected expenditures of $2.5 million for the 2007/08 fiscal year. Provincial funds. (Labrador City)
Laboratory Safety	3.9	2006-2007*	N/A	Various improvements in laboratory safety standards in intermediate and high schools throughout the province. Provincial funds. (Various)
Residences	67.5	2007-2012*	8, 19	Construction of new student residences at Sir Wilfred Grenfell College and Memorial University of Newfoundland, St. John's Campus. Projected expenditures of $11.3 million for the 2007/08 fiscal year. Provincial and other funds. (Corner Brook, St. John's)
School Construction	18.6	2007-2008*	3	Construction of a new school for Sheshatshiu Innu First Nation. Federal funds $14.6 million and provincial funds $4.0 million. (Sheshatshiu)
School Construction and Renovations	49.3	2007*	N/A	Various activities include new school construction, renovations, extensions, and major maintenance projects. Provincial funds. (Various)
Environmental				
Environmental Remediation	106.0	1996-2008*	18	Environmental remediation of the former U.S. Naval Base. Projected expenditures of $8-$11 million for the 2007/08 fiscal year. Federal funds. (Argentia)
Environmental Remediation/ Demolition	18.2	2006-2012*	N/A	Environmental remediation and/or demolition of vacant public buildings. Provincial funds. (Various)
Environmental Remediation/ Demolition	10.1	2007-2009*	11	Work to address priority safety issues and further environmental assessments at the Baie Verte and Rambler Mine sites. Provincial funds. (Baie Verte)
Refinery Upgrades	650.0	1996-2007	15	North Atlantic Refining Ltd. - ongoing productivity, environmental and safety improvements including reducing sulphur dioxide emissions. Projected expenditures of $45-$50 million for 2007. (Come by Chance)
Fishery/Forestry				
Aquaculture Development	155.0	2007-2010	16	Cooke Aquaculture Inc. - aquaculture development including a salmon farming operation, the necessary infrastructure for a processing plant, equipment and trucking. Some federal ($10.5 million) and provincial ($10 million) funds. (Fortune Bay)
Aquaculture Expansion	5.5	2007-2008*	N/A	Investment in the production of salmonids, mussels and/or cod in various areas of the province including the Connaigre Peninsula, Fortune Bay, Placentia Bay, Notre Dame Bay and Bonavista Bay. Provincial funds. (Various)

TBD: To be determined.

Project	Capital Cost ($M)	Start/End	Zone	Comments/Location
Aquatic Veterinary Diagnostic Laboratory	4.3	2007/2008*	13	Construction of a laboratory facility to enable diagnostic testing of aquaculture fish. Provincial funds. (St. Alban's)
Cod Demonstration Farm	10.0	2007/2010*	N/A	Collaboration of private and public sector funds to commercialize cod aquaculture. (Location to be determined)
Forest and Agriculture Access Roads	4.7	2007*	N/A	Construction of access roads on Crown land. Provincial funds. (Various)
Harbour Development	12.0	2007/2008*	N/A	Fisheries and Oceans Canada - Small Craft Harbours program. Ongoing program of fishing harbour repair, maintenance and development. Federal funds. (Various)
Newsprint Mill Capital Expenditures	6.0	2007	12	Abitibi-Consolidated Inc. - expenditures include asset maintenance, forest access roads, bridge building and $3.5 million in capital upgrades. (Grand Falls-Windsor)
Paper Mill Expenditures	19.0	2007	8	Corner Brook Pulp and Paper Limited - various infrastructure and power related projects. This includes $2.5 million in expenditures on the construction of forest access roads. (Corner Brook)

Health Care/Personal Care

Centre for Clinical Research	5.0	2007/2010*	19	Construction of two floors at the Janeway Hostel for research space for the Faculty of Medicine and Eastern Regional Health Authority. Provincial funds. (St. John's)
Grand Bank Health Centre and Blue Crest Nursing Home Redevelopment	12.7	2006/2008*	16	Construction of a new primary health clinic and repairs and renovations to the Blue Crest Nursing Home. Provincial funds. (Grand Bank)
Health Care Facilities	34.3	2007*	N/A	Expenditures for renovations and equipment purchases. Provincial funds. (Various)
Hospital Redevelopment	15.7	2006/2011*	14	Redevelopment of space at James Paton Memorial Hospital. Provincial funds. (Gander)
Hospital Redevelopment	4.8	2007/2010*	19	Renovations for the forensic/developmentally delayed units at the Waterford Hospital site. Provincial funds. (St. John's)
Humberwood Provincial Addictions and Treatment Centre	3.6	2006/2007*	8	Redevelopment of Humberwood addictions treatment facility. Provincial funds. (Corner Brook)
Labrador West Health Care Centre	59.0	2006/2011*	2	Replacing Captain William Jackman Memorial Hospital with a new health care centre. Provincial funds. (Labrador West)
Lewisporte Health Centre	29.9	2006/2010*	14	Construction of a new health centre that will include 63 long-term care beds, physicians' offices, lab and x-ray clinics and community-based services. Provincial funds. (Lewisporte)
Long-Term Care Facility	20.2	2005/2008*	15	A new 44 bed long-term care facility to be built adjacent to the Dr. G. B. Cross Memorial Hospital. Provincial funds. (Clarenville)

Project	Capital Cost ($M)	Start/End	Zone	Comments/Location
Long-Term Health Care Facility and Duplexes	69.0	2005/2009*	8	New facility with 236 beds designed to accommodate long-term care needs including a 16 bed protective care unit, a wing for the Department of Veterans Affairs, 4 duplex bungalows to accommodate mild dementia residents, and a wing for Memorial University. Provincial funds. (Corner Brook)
Long-Term Health Care Unit	20.0	2006/2009*	3	The construction of a 50 bed long-term care facility including two respite care beds. Building design contains flexibility to go to 72 beds. Provincial funds. (Happy Valley-Goose Bay)
New Dialysis Sites	2.9	2006/2007*	3, 6, 16	Renovations and equipment to establish dialysis sites. Provincial funds. (Happy Valley-Goose Bay, St. Anthony, Burin)
Office Building	2.6	2007*	3	Construction of office space for administrative and support staff of the Labrador-Grenfell Regional Health Authority. Provincial funds. (Happy Valley-Goose Bay)
Personal and Community Care Homes	5.4	2005/2007*	N/A	Installation of sprinkler systems in personal and community care homes. Provincial contribution of $4.0 million. (Various)
Personal Care Home	1.5	2007	14	Construction of a personal care home. (Gander)
Industrial/Manufacturing				
Farm Expansion	1.0	2007	15	Expansion of the feed kitchen for a mink farm. (Cavendish)
Mink Farm	4.0	2007/2009	15	Construction of a mink farm. (Lethbridge)
Mink Farm	2.0	2006/2008	15	Construction of a mink farm. (Clarenville)
Mink Farm	3.0	2004/2008	12	Construction of a mink farm. (Botwood)
Mink Farm	3.8	2004/2007	15	Construction of a mink farm. (Harcourt)
Mink Farm	1.6	2005/2008	8	Construction of a mink farm. (Deer Lake)
Multi-spectral Machine Vision Automatic Food Inspection	5.0	2003/2007	9	Baader-Canpolar Inc. - manufacturing of inspection systems that use x-ray and coloured camera technology to find defects, such as bones, in fish and poultry products. (St. John's)
Water Bottling Plant	2.0	2007	19	Construction of a water bottling plant. (Paradise)
Mining, Oil and Gas				
Dock Construction	5.0	2007	11	Crew Gold (Canada) Ltd. - construction of a permanent dock off-loading facility. (Snook's Arm)
Gold Mine	5.5	2007	11	Anaconda Gold Corp. - capital expenditures to bring Pine Cove gold project into production. (Baie Verte)

Project	Capital Cost ($M)	Start/End	Zone	Comments/Location
Mine and Mill Reactivation	7.0	2007	14	Beaver Brook Antimony Mine Ltd. - equipment, refurbishment and reactivation of the Beaver Brook Mine. (Beaver Brook)
Mineral Exploration	116.0	2007	N/A	Estimate prepared by the Department of Natural Resources. Regional breakdown: $80 million in Labrador and $36 million for the Island. (Various)
Oil and Gas Exploration Drilling	140.0	2006/2007	N/A	Chevron and partners - drilling of the Great Barasway F-66 exploratory well in the Orphan Basin using the deep water semi-submersible drill rig *Erik Raude*. (Offshore Newfoundland)
Oil Related Capital Expenditures	290.0	2007	N/A	Husky Energy - expenditures associated with Husky Energy's East Coast operations. Includes drilling and completion of a seventh production well in the White Rose oil field and delineation of the O-28 discovery in the West Avalon Pool to the north of the existing White Rose development. (Offshore Newfoundland)
Oil Related Capital Expenditures	400.0	2007	N/A	Hibernia Management and Development Company Ltd. (Hibernia) and Petro-Canada (Terra Nova) - figures include capital drilling costs for the current year. (Offshore Newfoundland)
Treatment Plant	2.0	2006/2007	11	Rambler Metals and Mining - construction of a waste water treatment plant and other infrastructure. (Baie Verte)
Voisey's Bay Mineral Development	2,900.0	2002/2031	N/A	Voisey's Bay Nickel Company - includes development and operating expenses at the Voisey's Bay site in Labrador, demonstration plant operations in Argentia, exploration, and engineering and project planning related to the commercial processing plant in Long Harbour. Expenditures in 2007 are estimated to be $350 million. (Various)
Zinc/Copper Mine	14.3	2007	12	Aur Resources Ltd. - ongoing expenditures for underground equipment and development. Turf Point loading facility, plant and surface services. (Duck Pond)

Municipal Infrastructure

Canada/Newfoundland and Labrador Infrastructure Program	153.7	2000/2009*	N/A	Program assists municipalities in improving infrastructure. 1/3 federal funds, 2/3 provincial/municipal cost-shared according to municipal financial capacity. Projected expenditures of $5.1 million for the 2007/08 fiscal year. (Various)
Canada-Newfoundland and Labrador Municipal Rural Infrastructure Fund (MRIF)	84.0	2006/2010*	N/A	Investment over the next four years in municipal and rural infrastructure projects. These projects will focus on the renewal, expansion and construction of new community infrastructure. Federal, provincial and municipal cost-shared program. (Various)
Canada Strategic Infrastructure Fund II	48.0	2007/2010*	N/A	Expenditures on municipal infrastructure shared equally by the three levels of government - federal, provincial and municipal. (Various)

Project	Capital Cost ($M)	Start/End	Zone	Comments/Location
Federal Funding Program for Municipalities	82.4	2006/2010*	N/A	The federal government has committed to a four year funding agreement for municipalities from gas tax revenues. The provincial allocation for 2007/08 is approximately $13.2 million. The federal government requires these monies to be invested in capital projects that result in environmentally sustainable municipal infrastructure. (Various)
Filtration Plant	20.0	2006/2009	19	Design and construction of a water filtration plant at Long Pond. (Petty Harbour)
Multi-Year Capital Works Program	85.0	2005/2008*	N/A	Long-term capital works program to assist municipalities in construction of local infrastructure. Provincial/municipal 50/50 cost-shared program. (Various)
Municipal Capital Works Program	37.2	2007/2008*	N/A	Annual program to assist municipalities in construction of local infrastructure. Cost-sharing will vary with each project, however, the province's total cost is estimated at $25.2 million and municipalities are expected to contribute $12.0 million. (Various)
Public Transit Capital Trust	20.6	2007/2008*	19, 8	One-time federal funding to assist provinces and territories in supporting capital investments in public transit infrastructure. Federal funds. (St. John's, Corner Brook)
St. John's Harbour Clean-up Project	103.3	1997/2008	19	Funding has been established for the capital cost of Phase II of the multi-phase St. John's Clean-Up Project. The federal and provincial governments are each contributing $31 million, while the remaining $41.3 million is being provided in a per capita proportionate share by the City of St. John's, the City of Mount Pearl and the Town of Paradise. Operating costs will be shared by the municipalities. (St. John's)
Water Transmission Line	2.0	2007	19	Installation of a water transmission line. To be cost-shared between the Town of Paradise, Town of Conception Bay South and the Town of Portugal Cove-St. Phillip's. (Various)
Water Treatment Plant	5.5	2005/2007	19	Ozone system and life safety upgrading at Bay Bulls Big Pond water treatment plant. (St. John's)
Windsor Lake Treatment Plant	35.0	2006/2007	19	Construction of a water filtration plant and balancing reservoir. (St. John's)
Other Investment				
Broadband System	1.3	2006/2007	14	Installation of a broadband system for high speed internet. (New-Wes-Valley, New World Island)
Capital Program	3.2	2007*	N/A	Royal Canadian Mounted Police - housing construction and renovation, environmental projects, building upgrades, construction of new detachments for Cartwright and Springdale and building expansion of the Stephenville detachment. (Various)

Project	Capital Cost ($M)	Start/End	Zone	Comments/Location
Communication Infrastructure	52.0	2007/2008*	N/A	Creation of a fibre optic link between St. John's, NL, and Halifax, NS, on two diverse routes by companies: MTS Allstream, Rogers Communications and Persona Communications. Provincial government will invest $15 million over the next two years to purchase fibre optic strands forming part of the off-island communications link. (Various)
Court Facility	17.0	2006/2009*	8	Construction of a combined Supreme and Provincial Court facility. Provincial funds. (Corner Brook)
Office and Warehouse	1.3	2007*	8	Construction of a Newfoundland and Labrador Housing Corporation office and warehouse. Provincial funds. (Corner Brook)
Public Buildings	10.7	2007*	N/A	Maintenance and development of public buildings. Provincial funds. (Various)
Residential				
Adult Living Community	130.0	2007/2015	19	Perennial Management Ltd. - development of a 10-storey adult living community on the site of the former Salvation Army Training College. Community to provide 450-500 senior residential units. Phase I will begin construction in Summer 2007 and consist of 107 units at a cost of $40.0 million. (St. John's)
Affordable Housing Program	40.9	2001/2010*	N/A	Newfoundland and Labrador Housing Corporation - the objective of this program is to increase the supply of affordable housing in Newfoundland and Labrador by providing forgivable loan funding to assist in the creation of new affordable rental housing. Federal/provincial cost-shared. (Various)
Affordable Housing Trust	12.6	2007/2009*	N/A	Newfoundland and Labrador Housing Corporation - one-time federal funding to support investments to increase the supply of affordable housing including transitional and supportive housing. Federal funds. (Various)
Apartment Renovations	8.8	2004/2007	14, 19	Northern Property REIT - capital improvements and upgrades on various apartment buildings. (Gander, St. John's)
Building Redevelopment	3.5	2006/2007	19	King George Properties Inc. - refurbishment and revitalization of the 1912 King George V Building into 13 condominiums. (St. John's)
Cottage Development	7.3	2001/2008	19	North Island Resorts (LC) Limited - construction of 50-60 outport style ocean view cottages. (Lance Cove, Bell Island)
Housing Development	55.0	2000/2008	19	Leary's Brook Holdings - construction of a housing development consisting of 300 homes, named "McNiven Estates". Phase VI has begun with 70 remaining units and projected expenditures of $12.6 million. (St. John's)
Housing Development	200.0	2000/2015	19	Cabot Development - construction of a housing development that will consist of 900 homes, named "Clovelly Trails". Project is 50% complete. There are 450 homes remaining with projected expenditures of $101.0 million. (St. John's)

Project	Capital Cost ($M)	Start/End	Zone	Comments/Location
Housing Development	18.5	2004/2009	19	Chester Dawe Ltd. - construction of 130 homes as part of the "South Brook" housing development. Currently 60 homes completed at a cost of $8.5 million. 70 homes remaining with projected expenditures of $10.0 million. (St. John's)
Labrador West Seniors Complex	3.5	2006/2007	2	Construction of a 78 bed retirement home with both Level I and Level II care. (Labrador City)
Modernization and Improvements	10.0	2007*	N/A	Newfoundland and Labrador Housing Corporation - planned improvements to social housing stock. Federal/provincial funds. (Various)
Property Redevelopment	12.0	2002/2011	19	Construction of the "McKie's Grove" subdivision. Currently 23 townhouses are completed and a 40 unit condominium complex is under construction. There are two additional vacant lots to be developed over the next four years. (St. John's)
Provincial Home Repair Program	13.9	2007*	N/A	Newfoundland and Labrador Housing Corporation - a combination grant/loan program to aid low-income households with home repairs. Federal/provincial funds. (Various)
Residential Development	7.0-8.0	2007/2009	19	10714 Newfoundland Ltd. - construction of a residential development on the former General Hospital site on Forest Road. Plans call for approximately 25 condominium units, 30 town houses and 2 semi-detached dwellings. (St. John's)
Seniors Complex	7.5	2002/2007	19	Squirrel Run Developments Limited - construction of six additional housing units at "The Meadows". (St. John's)
Subdivision Development	3.0	2007	14	Construction of a new housing subdivision. (Gander)
Subdivision Development	45.0	2004/2010	19	Fairview Investments - construction of a subdivision consisting of 300 homes, named "Grovesdale Park". Project is 60% complete. (St. John's)
Subdivision Development	50.0	1996/2011	19	Karwood Estates - construction of 300-350 houses. Fifty are scheduled to be constructed this year. Projected expenditures of $10 million for 2007. (Paradise)
Subdivision Development	120.0	2004/2014	19	Modern Homes Limited - construction of 800 building lots. Phase I (construction of 62 single detached homes) and Phase II (construction of 64 additional units) are complete. Phase III has now begun. (St. John's)
Subdivision Development	2.0-3.0	2007/2009	19	Paul Murphy Construction Limited - construction of a 12-lot residential subdivision. (St. John's)
Subdivision Development	30.6	2006/2011	19	Reardon Construction and Development Ltd. - construction of 175 homes as part of the "River Bend" housing development. (St. John's)
Subdivision Development	12.5	2006/2009	19	Reardon Construction and Development Ltd. - construction of 81 seniors condo bungalows as part of the "Twin Brooks" residential development. (St. John's)

Project	Capital Cost ($M)	Start/End	Zone	Comments/Location
Subdivision Development	40.0	2007/2012	19	Sutton Group-Plus Realty - construction has begun on a subdivision development that will consist of 200 single homes, named "City View Terrace". (St. John's)
Subdivision Development	40.0	2006/2012	19	Sutton Group-Plus Realty - construction of a subdivision development that will consist of 200 single homes, named "Pearl View Subdivision". (Mount Pearl)

Tourism/Culture/Recreation

Arena	6.5	2007/2008*	19	Construction of a regional arena consisting of an NHL regulation size ice surface, seating capacity for nearly 1,300 spectators, a walking track, and parking for over 400 vehicles. The provincial government is contributing $4.9 million and the remaining will be cost-shared by the Towns of Torbay, Logy Bay-Middle Cove-Outer Cove, Pouch Cove and Flatrock. (Torbay)
Arts and Culture Centres	3.4	2006/2010*	N/A	Renovation and repairs to various Arts and Culture Centres throughout the province. Provincial funds. (Various)
Auditorium	4.0	2006/2008*	3	Construction of a regional performance facility attached to Mealy Mountain Collegiate. (Happy Valley-Goose Bay)
Civic Centre	5.1	2007/2008	6	Construction of a regional civic centre, to be called the "Polar Centre". (St. Anthony)
Convention Centre and Restaurant	2.4-2.5	2005/2008	19	Conversion of a former bingo and banquet hall into a convention centre, 120 seat restaurant and a laundromat in Pleasantville. Laundromat and restaurant are complete. Convention centre is 50% complete. (St. John's)
Hotel	23.0	2007/2009	19	Construction of a 180 room all suite hotel with restaurant, pool and solarium. (St. John's)
Humber Valley Resort - Phase II	500.0	2004/2012	8	Humber Valley Resort Corporation - expansion of existing world class four-season resort will continue with the construction of a 700 unit five-star chalet, cottage and condominium-style accommodation development. Amenities to be completed in Phase II include: expanded golf facilities, tennis courts, spa and other supporting infrastructure. (Humber Valley)
Improvements to Walkway System	1.8	2007	19	Grand Concourse Authority - spending for upgrades, naturalization and planting at various locations included in the Grand Concourse walkway system. Funding provided by the members of the Grand Concourse Authority which include community based and government groups. (St. John's, Mount Pearl, Paradise)
Natural Heritage Centre	1.0	2007/2008	6	Town of Roddickton - development of a Natural Heritage Centre. Will portray the ecology in the area and the impact that humans have on the ecology. (Roddickton)

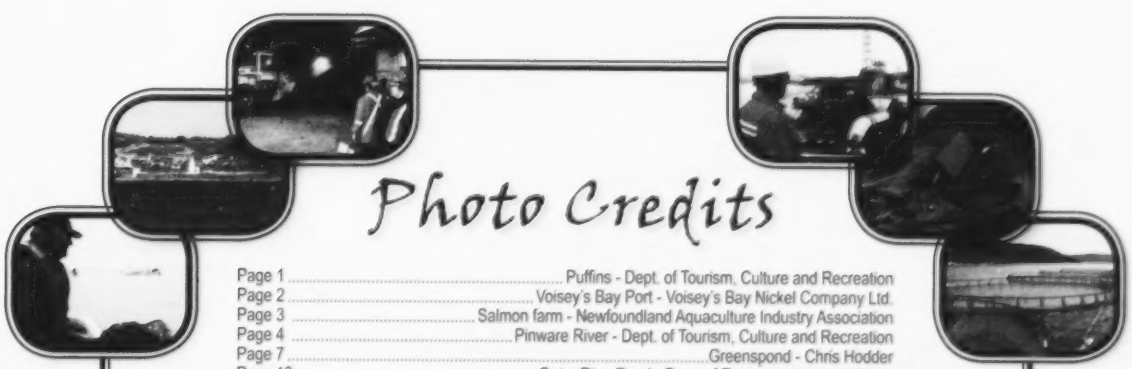
Project	Capital Cost ($M)	Start/End	Zone	Comments/Location
Provincial Historic Sites	2.2	2006/2009*	N/A	Spending on various historic sites around the province. Estimated spending of $675,000 in 2007/08 fiscal year. Provincial funds. (Various)
Regional Museums	2.0	2006/2009*	N/A	Spending on renovations and improvements to museums in the province. Provincial funds. (Various)
Resort Development	30.0	2004/2010	7	Eastern Arm Enterprises - development of "Gros Morne Resort". Will include a 100 room hotel, 110 site RV park, marina, day park, hiking trails, 18-hole golf course, indoor beach, gas station, convenience store/fresh meat and fish market and picnic area. (St. Paul's)
Revitalization of Downtown Core	6.3	1995/2008	8	Corner Brook Downtown Business Association - beautification of the downtown area including: sidewalk modifications and linkage into the Corner Brook Stream Trail System, heritage lighting, the planting of 600 trees, construction of a gazebo and construction of walkways and bench sitting areas. To date, $5.1 million has been spent. Funding sources include federal, provincial and municipal governments as well as members of the Corner Brook Downtown Business Association. (Corner Brook)
Sports Centre	7.2	2007*	19	Construction of a multi-purpose gymnasium and a training/strength and conditioning centre. Provincial/federal/municipal/private funds. (St. John's)
Visitor Information Centres	1.6	2006/2008*	10, 17	Spending on construction/renovation of visitor information centres. Provincial funds. (Channel-Port aux Basques, Whitbourne)
Winter Trails	10.0	1998/2007	1-4	Labrador Winter Trails Inc. - development of winter trails throughout Labrador. Funded through Atlantic Canada Opportunities Agency and Human Resources and Social Development Canada. (Various)

Transportation

Airport Renovations	1.3	2007	8	Expansion of Taxiway Bravo and apron as well as improvements of infrastructure to accommodate increased flight activity. Federal contribution of $940,267. (Deer Lake)
Airport Renovations	20.0	2007	19	St. John's International Airport - resurfacing of runways; renovation and expansion of Combined Services Building; expansion of the mobile equipment fleet to enhance the safety and reliability of runways during winter operations; an expansion of the airport terminal including improvements to passenger-related facilities; and construction of a new building to house equipment and related infrastructure. (St. John's)

Project	Capital Cost ($M)	Start/End	Zone	Comments/Location
Canada Strategic Infrastructure Fund I	53.6	2005/2008*	N/A	Program to allow improvements to roads on the National Highway System, primarily on the Trans Canada Highway. Projects are 50/50 cost-shared between the federal and provincial governments. Projected expenditures for the 2007/08 fiscal year are $28.0 million. (Various)
Canada Strategic Infrastructure Fund II	51.0	2007/2011*	19	Extension to Team Gushue Highway from Kenmount Road to Pitts Memorial Drive. Total cost of project is $40.0 million. Subject to cost-sharing by the federal, provincial and municipal governments. Construction of Torbay by-pass road. Total cost of project is $11.0 million. Subject to 50/50 federal-provincial cost-sharing. Projected expenditures for the 2007/08 fiscal year are $10.0 million combined. (St. John's)
Labrador Coast Airstrips Restoration Program	5.0	2004/2009*	1-4	Restoration of the Labrador coastal airstrips and associated improvements at various airports. Federal funds. (Various)
Marine Transportation	40.3	2006/2008*	N/A	Maintenance and construction of terminals and wharves, refits of existing vessels and construction of two new vessels. Provincial funds. (Various)
Parking Lot Expansion	1.0	2007	8	Expansion and upgrade of the airport parking lot. (Deer Lake)
Provincial Roads Improvement Program	66.5	2007*	N/A	Includes secondary road improvement projects in various parts of the province. Provincial funds. (Various)
Runway Resurfacing	20.0-25.0	2006/2008*	3	Resurfacing of runways at 5 Wing Goose Bay. Phase I is complete. Phase II will start and finish in the 2007/08 fiscal year. Projected expenditures for the 2007/08 fiscal year are $8.7 million. Federal funds. (Happy Valley-Goose Bay)
Terminal Expansion	12.0	2005/2007	8	Expansion of the airport terminal. Projected expenditures of $3.0 million for 2007. (Deer Lake)
Trans Labrador Highway Phase I Surfacing	100.0	2006/2012*	2, 3	Application of hard surface on Phase I of Trans Labrador Highway from Happy Valley-Goose Bay to Wabush. Subject to 50/50 federal-provincial cost sharing. Projected expenditures for the 2007/08 fiscal year are $15.0 million. (Various)
Trans Labrador Highway Phase III	110.6	2004/2009*	3, 4	Construction of the Trans Labrador Highway from Cartwright to Happy Valley-Goose Bay. Projected expenditures of $17.0 million for the 2007/08 fiscal year. Provincial funds. (Various)
Utilities				
Electric Utility Capital Expenditure	12.0	2007/2008	2	Churchill Falls Labrador Corporation - capital expenditure for improvements and upgrades. (Churchill Falls)

Project	Capital Cost ($M)	Start/End	Zone	Comments/Location
Electric Utility Capital Program	38.0	2007/2008	N/A	Newfoundland and Labrador Hydro - capital programs which include upgrades and improvements to transmission lines and distribution systems, improvements to generating facilities and a VHF mobile radio system, interconnection of Rencontre East and new equipment purchases. (Various)
Electric Utility Capital Program	62.0	2007	N/A	Newfoundland Power Inc. - includes capital expenditures to further upgrade and enhance electricity system. (Various)
Hydrogen Diesel Generation	9.7	2007/2008	9	Newfoundland and Labrador Hydro - integration of a wind power project with hydrogen and diesel generation for remote communities. Partially funded through Atlantic Canada Opportunities Agency. (Ramea)
Wind Demonstration Project	54.1	2007/2008	16	NeWind Group - construction of a 27MW wind generation project consisting of nine 3MW wind turbine units. (St. Lawrence)
Wind Power Project	45.1	2007/2008	20	Vector Wind Energy Inc. - construction of a 24MW wind power farm consisting of twelve 2MW units. (Fermeuse)



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GDP and Employment by Industry

Angler - Bonavista Peninsula

	2005 Real GDP (Chained 1997$ Millions)	2006 Employment (Person Years, 000s)
GOODS PRODUCING INDUSTRIES	5,634.9*	49.1
Agriculture	52.5	1.9
Forestry & Logging	93.5	0.9
Fishing, Hunting & Trapping	229.6	8.2
Mining & Oil Extraction	2,405.2	7.3
Manufacturing	1,057.3	15.7
Fish Products	196.5	6.7
Other	860.8	9.0
Construction	778.2	12.9
Utilities	445.6	2.2
SERVICE PRODUCING INDUSTRIES	8,306.5*	166.6
Wholesale Trade	473.1	6.4
Retail Trade	773.8	31.3
Transportation & Warehousing	496.5	11.6
Finance, Insurance, Real Estate & Business Support Services	2,117.5	15.0
Professional, Scientific & Technical Services	349.3	6.7
Educational Services	747.2	16.6
Health Care & Social Assistance	1,077.8	30.1
Information, Culture & Recreation	582.8	8.8
Accommodation & Food Services	267.1	13.4
Public Administration	1,153.6	15.3
Other Services	296.4	11.3
TOTAL, ALL INDUSTRIES	**13,668.7***	**215.7**

Note: GDP is expressed at basic prices, measuring payments made to the owners of factor inputs in production. This differs from GDP at market prices. The difference is attributable to taxes less subsidies on products.

Statistics Canada; Economic Research and Analysis Division, Department of Finance

*Due to chain fisher volume index methodology, industry categories do not add to given total.

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